

# STATE OF LOUISIANA LEGISLATIVE AUDITOR

Orleans Levee District  
State of Louisiana  
New Orleans, Louisiana

September 18, 2002



***Financial and Compliance Audit Division***

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***Daniel G. Kyle, Ph.D., CPA, CFE  
Legislative Auditor***

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**ORLEANS LEVEE DISTRICT  
STATE OF LOUISIANA  
New Orleans, Louisiana**

**Basic Financial Statements and  
Independent Auditor's Reports  
As of and for the Year Ended June 30, 2002  
With Supplemental Information Schedules**

Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report has been made available for public inspection at the Baton Rouge and New Orleans offices of the Legislative Auditor.

September 18, 2002

**ORLEANS LEVEE DISTRICT  
STATE OF LOUISIANA**

Basic Financial Statements and  
Independent Auditor's Reports  
As of and for the Year Ended June 30, 2002

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**ORLEANS LEVEE DISTRICT  
STATE OF LOUISIANA  
Contents, June 30, 2002**

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# The Board of Commissioners

OF THE

## Orleans Levee District

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PROTECTING YOU  
AND YOUR FAMILY

September 11, 2002

The Honorable James P. Huey, President,  
and Members of the Board of Commissioners  
of the Orleans Levee District

Dear Commissioners:

The Orleans Levee District is pleased to submit its Annual Financial Report for the fiscal year ended June 30, 2002. The District's management is responsible for the accuracy and completeness of all data and disclosures in this report. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The Annual Financial Report is presented in three sections: introductory, financial, and other supplemental information. The introductory section is this transmittal letter. The financial section has been prepared in accordance with the new Governmental Accounting Standards Board Statement No. 34. This section includes the following: Independent Auditor's Report by the Louisiana Legislative Auditor, Management's Discussion and Analysis (Required Supplementary Information), government-wide financial statements, fund financial statements and notes to the financial statements. The other supplemental information section includes: schedule of per diem paid board members for compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature, and the Annual Fiscal Report submitted to the Office of the Governor, Division of Administration, Office of Statewide Reporting and Accounting Policy as required under Title 39. A report on compliance and internal control is also included in this report.

### PROFILE

The Orleans Levee District was established in 1890. The District has primary responsibility for the operation and maintenance of a flood protection system surrounding the City of New Orleans. The District is responsible for the maintenance of almost 129 miles of levees and floodwalls.

In 1928, the Louisiana Legislature authorized the board to operate and maintain public parks, beaches, marinas, aviation fields, and other like facilities. The board owns and operates the New Orleans Lakefront Airport, a general aviation airport, the Orleans Marina and the South Shore Harbor Marina.

## **Board of Commissioners**

### **Orleans Levee District**

The District began the construction, improvement and maintenance of numerous hurricane and flood protection projects as the result of the issuance of \$50 million levee improvement bonds in November 1984. The United States Army Corps of Engineers (USACE) and the Orleans Levee District participate in several joint flood protection projects relative to the Lake Pontchartrain and Vicinity Hurricane Protection Plan (High Level Plan). Under the High Level Plan, the levee district has expended bond and ad valorem tax funds over (approximately) the last 16 years. Three major projects on the High Level Plan are ongoing in Orleans Parish: the Orleans Avenue Canal, London Avenue Canal, and 17th Street Canal. These major projects should be completed in 2005.

### **FINANCIAL INFORMATION**

The Orleans Levee District has presented government-wide financial statements, which are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private sector business, and fund financial statements, which are used to provide management with information on current performance of the respective funds, and to ensure and demonstrate compliance with finance-related legal requirements.

### **Internal Control Framework**

Management of the Orleans Levee District has established a comprehensive internal control framework that is designed both to protect the District's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Orleans Levee District's financial statements in conformity with accounting principles generally accepted in the United States of America. Management has assigned responsibilities and designed processes in an attempt to prevent potential conflicts of interest or unilateral control of critical functions. The District has segregated duties in several key areas including:

- Human resources and payroll processing
- Daily cash management and bank account reconciliations
- Cash disbursement authorization and bank account reconciliations
- Purchasing and accounts payable
- Cash disbursement authorization and accounts payable

Because the cost of internal controls should not outweigh their benefits, the Orleans Levee District's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

### **Budgetary Controls**

The Orleans Levee District is required to submit its annual fiscal year budget to the Board of Commissioners for review and approval, and to the Joint Legislative Committee on the Budget for review. All levels of management are involved in the budgeting process. Available resources are determined based on projected revenues and are allocated by object level to the various departments within the District.

**Board of Commissioners**  
**Orleans Levee District**

Department managers and senior management compare actual performance to the approved budget on a monthly basis. Variances are monitored and recommended adjustments are submitted to the Finance Committee for review and submittal to the full Board for approval.

**Long-term Obligations**

The District had the following outstanding long-term debt at June 30, 2002:

General obligation bonds	\$135,000
Public improvement bonds	30,920,000
Levee improvement bonds	51,580,000
Capital recovery funding bonds	<u>24,155,000</u>
Total	<u><u>\$106,790,000</u></u>

The debt of the Orleans Levee District is payable from the avails of the two limited ad valorem taxes: the tax authorized by Article 6, Section 39A of the Louisiana Constitution and the special levee improvement tax authorized by the election of November 1983. The 1988 Capital Recovery Funding Bonds are secured by a subordinated pledge of both taxes.

Liabilities associated with claims and judgments totaled \$17,800,195, and relate to Bohemia Spillway. While the judgment represents a liability of the Orleans Levee District, it is long-term in nature, since under Louisiana law, the judgment cannot be used to force the District to liquidate assets to satisfy the judgment.

**Cash Management**

Cash receipts are deposited daily into the District's bank accounts. Minimal cash balances are maintained in bank accounts for daily operations. Excess operating funds not needed for liquidity purposes are invested in U.S. government securities and agency securities in accordance with guidelines contained in a board approved Investment Policy and all associated state statutes.

**Risk Management**

The District has purchased various commercial insurance policies for protection from significant economic loss. These policies include coverage for standard automobile liability, comprehensive general liability, excess comprehensive general liability, workers' compensation, property, boiler and machinery, inland, marine and electronic data processing equipment, marina liability, airport fixed base operations (including hangarkeepers), police professional liability, employee dishonesty and flood. Additionally, tenants are required to obtain insurance for leased premises with the District named as additional insured, and contracts for major purchases and/or services contain requirements for vendor insurance and performance bond coverages.

Board of Commissioners  
Orleans Levee District

**INDEPENDENT AUDIT**

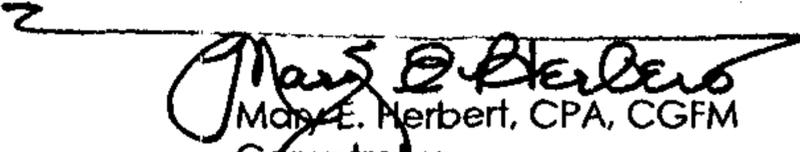
The Orleans Levee District's financial statements have been audited by the Louisiana Legislative Auditor. The financial statements are the responsibility of the Orleans Levee District. The responsibility of the Louisiana Legislative Auditor is to express an opinion on the District's financial statements based on their audit. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Orleans Levee District for the fiscal year ended June 30, 2002, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the Orleans Levee District's financial statements for the fiscal year ended June 30, 2002 are fairly presented in conformity with accounting principles generally accepted in the United States of America. The auditor's report is presented as the first component of the financial section of this report.

The preparation of this report would not have been possible without the dedicated services of the entire staff of the Finance Department. We would like to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. The Orleans Levee District and its Board of Commissioners are committed to providing thorough and relevant financial information to the users of our financial statements, and the preparation of this Annual Financial Report reflects this commitment.

Respectfully submitted,

  
Max L. Hearn  
Executive Director

MLH/MEH/jm

  
Mary E. Herbert, CPA, CGFM  
Comptroller



DANIEL G. KYLE, PH.D., CPA, CFE  
LEGISLATIVE AUDITOR

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August 29, 2002

Independent Auditor's Report  
on the Financial Statements

**BOARD OF COMMISSIONERS OF  
THE ORLEANS LEVEE DISTRICT  
STATE OF LOUISIANA  
New Orleans, Louisiana**

We have audited the accompanying financial statements of the governmental activities, business-type activities, and major funds of the Orleans Levee District, a component unit of the State of Louisiana, as of and for the year ended June 30, 2002, which collectively comprise the Orleans Levee District's basic financial statements. These financial statements are the responsibility of management of the Orleans Levee District. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, business-type activities, and major funds of the Orleans Levee District, as of June 30, 2002, and its changes in financial position, including cash flows of those activities and funds and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 1 to the financial statements, the Orleans Levee District adopted the provisions of the Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, as of July 1, 2001. This results in a change in the format and content of the basic financial statements.

As discussed in note 20, the levee district has been named in 70 lawsuits. Several of these lawsuits involve revenues collected from the Bohemia Spillway in the parish of Plaquemines since July 1984. Act 1364 of 1997 requires that revenues produced from the disputed properties after June 29, 1984, be returned to the original owners or their successors. During

LEGISLATIVE AUDITOR

**BOARD OF COMMISSIONERS OF  
THE ORLEANS LEVEE DISTRICT  
STATE OF LOUISIANA**  
Audit Report, June 30, 2002

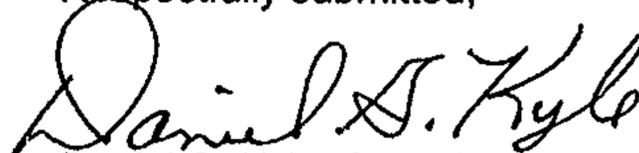
the fiscal year ended June 30, 2002, litigation expenditures and judgment payments associated with the Bohemia Spillway and other claims totaled \$438,976, as shown on Statement D of the financial statements. Judgments payable at June 30, 2002, total \$17,800,195, which is included as a liability on Statement A of the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 29, 2002, on our consideration of the Orleans Levee District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming opinions on the Orleans Levee District's basic financial statements. The accompanying supplementary information schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, based on our audit, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Management's discussion and analysis on pages 9 through 17 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Respectfully submitted,

  
Daniel G. Kyle, CPA, CFE  
Legislative Auditor

RR:JR:RCL:dl

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**State of Louisiana  
Orleans Levee District  
Management's Discussion and Analysis  
As of June 30, 2002**

The Management's Discussion and Analysis of the Orleans Levee District's financial performance presents a narrative overview and analysis of the Orleans Levee District's financial activities for the year ended June 30, 2002. This document focuses on the current year's activities, resulting changes, and currently known facts. Please read this document in conjunction with the additional information contained in the district's financial statements, which begin on page 18.

**Financial Highlights**

- The assets of the Orleans Levee District exceeded its liabilities at the close of fiscal year 2002 by \$121,207,204 (net assets), which represents a 4.98% increase from last fiscal year.
- The district's total net assets increased by \$5,749,686. A major cause of this increase is that charges for services, et cetera, were greater than the cost of operations. In addition, capital improvements are not charged against current revenues but are capitalized within the capital assets and depreciated over future periods.
- As of the close of the current fiscal year, the Orleans Levee District's governmental funds reported combined ending fund balances of \$56,797,220, an increase of \$2,348,107 in comparison with the prior fiscal year. Only \$28,594,676 is available for spending at the district's discretion (unreserved, undesignated fund balance).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$12,308,584, or 89.61% of total general fund expenditures, including other financing uses.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Orleans Levee District's basic financial statements. The district's basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the Orleans Levee District's finances, in a manner similar to a private sector business.

The statement of net assets presents information on all of the Orleans Levee District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the district is improving or deteriorating.

The statement of activities presents information showing how the Orleans Levee District's net assets changed during the fiscal year 2002. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs regardless of the timing of related cash

**ORLEANS LEVEE DISTRICT**  
**STATE OF LOUISIANA**  
Management's Discussion and Analysis (Continued)

flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Orleans Levee District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activity of the district is flood protection. The business-type activities of the district include a community center, two marinas, and an airport.

The government-wide financial statements can be found on pages 18-20 of this report.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. All of the funds of the Orleans Levee District can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Orleans Levee District maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, special levee improvement fund, and general improvement fund.

The Orleans Levee District adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 21-25 of this report.

Proprietary funds. The Orleans Levee District maintains only enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The district uses enterprise funds to account for the Lake Vista Community Center, Orleans Marina, South Shore Harbor Marina, and Lakefront Airport.

**ORLEANS LEVEE DISTRICT**  
**STATE OF LOUISIANA**  
Management's Discussion and Analysis (Continued)

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The basic proprietary fund financial statements can be found on pages 26-28 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 29-58 of this report.

**Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of the Orleans Levee District's financial position. For fiscal year ending June 30, 2002, assets exceeded liabilities by \$121,207,204.

By far, the largest portion of the Orleans Levee District's net assets (82.47%) reflects its investment in capital assets (e.g., land, buildings, improvements, infrastructure, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The district uses these capital assets to provide flood protection services to the citizenry of Orleans Parish. Consequently, these assets are not available for future spending. Although the district's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

<b>Orleans Levee District</b>			
<b>Net Assets</b>			
	Governmental Activities 2002	Business-type Activities 2002	Total 2002
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Current and other assets	\$59,076,349	\$10,306,661	\$69,383,010
Capital assets	128,135,341	53,995,716	182,131,057
Total assets	<u>\$187,211,690</u>	<u>\$64,302,377</u>	<u>\$251,514,067</u>
Long-term liabilities outstanding	\$94,463,039	\$31,642,306	\$126,105,345
Other liabilities	2,497,875	1,703,643	4,201,518
Total liabilities	<u>\$96,960,914</u>	<u>\$33,345,949</u>	<u>\$130,306,863</u>
Net assets:			
Invested in capital assets, net of related debt	\$76,555,341	\$23,407,239	\$99,962,580
Restricted	24,672,513		24,672,513
Unrestricted	(10,977,078)	7,549,189	(3,427,889)
Total net assets	<u>\$90,250,776</u>	<u>\$30,956,428</u>	<u>\$121,207,204</u>

**ORLEANS LEVEE DISTRICT**  
**STATE OF LOUISIANA**  
Management's Discussion and Analysis (Continued)

An additional portion of the Orleans Levee District's net assets (20.36%) represents resources that are subject to external or policy restrictions on how they may be used. The remaining balance of unrestricted net assets is negative (\$3,427,889) and reflects two significant parts. The first element is a \$17,800,195 legal judgment recorded as a liability and therefore a reduction in district net assets. While the judgment represents a liability of the Orleans Levee district, it is long-term in nature, since under Louisiana law, the judgment cannot be used to force the district to liquidate assets to satisfy the judgment. The second contributing factor reflects the fact that district revenues have been inadequate to cover expenses, especially depreciation expenses.

There was a decrease of \$201,753 in restricted net assets reported in connection with the Orleans Levee District's governmental activities. This reduction resulted from decreasing the reserve for Bohemia Spillway (\$109,349) and the reserve for debt service (\$92,404).

The district's net assets increased by \$5,749,686 during the current fiscal year. A major cause of this increase is that charges for services, et cetera, were greater than the cost of operations. In addition, capital improvements are not charged against current revenues but are capitalized within the capital assets and depreciated over future periods.

**Governmental activities.** Governmental activities increased the Orleans Levee District's net assets by \$2,355,142, thereby accounting for 40.96% of the total growth in the net assets of the Orleans Levee District. Key elements of this increase are as follows:

<b>Orleans Levee District Changes In Net Assets</b>			
	Governmental Activities 2002	Business-type Activities 2002	Total 2002
<b>Revenues:</b>			
<b>Program revenues:</b>			
Charges for services	\$40,129	\$12,502,853	\$12,542,982
Operating grants and contributions	3,184		3,184
Capital grants and contributions	2,159,385	287,187	2,446,572
<b>General revenues:</b>			
Property taxes	21,029,828		21,029,828
Other	4,606,383	684,701	5,291,084
<b>Total revenues</b>	<b>27,838,909</b>	<b>13,474,741</b>	<b>41,313,650</b>

**ORLEANS LEVEE DISTRICT**  
**STATE OF LOUISIANA**  
Management's Discussion and Analysis (Continued)

**Orleans Levee District**  
**Changes In Net Assets (Continued)**

	Governmental Activities 2002	Business-type Activities 2002	Total 2002
Expenses:			
Flood and drainage protection	\$18,224,050		\$18,224,050
Interest	4,205,687		4,205,687
Litigation payments (proceeds), net	(30,182)		(30,182)
Lake Vista Community Center		\$145,189	145,189
Marinas		4,879,120	4,879,120
Lakefront Airport		8,140,100	8,140,100
Total expenses	<u>22,399,555</u>	<u>13,164,409</u>	<u>35,563,964</u>
Increase in net assets before transfers	5,439,354	310,332	5,749,686
Transfers	(3,084,212)	3,084,212	
Increase in net assets	<u>2,355,142</u>	<u>3,394,544</u>	<u>5,749,686</u>
Net assets beginning of year	87,895,634	27,561,884	115,457,518
Net assets end of year	<u><u>\$90,250,776</u></u>	<u><u>\$30,956,428</u></u>	<u><u>\$121,207,204</u></u>

- Property taxes increased by \$517,020 (2.52%) during the year.
- Federal and state grants increased by \$811,295 (60.31%) during the year.

For the most part, increases in flood and drainage expenses closely paralleled inflation.

**Business-type activities.** Business-type activities increased the Orleans Levee District's net assets by \$3,394,544, accounting for 59.04% of the total growth in the district's net assets. Key elements of this increase are as follows:

- Operating revenues for business-type activities were essentially unchanged from the prior fiscal year.
- Major maintenance expenses decreased from the prior fiscal year because of the completion of a runway overlay project at Lakefront Airport in fiscal year 2001.
- Capital contribution of \$2,673,254 to Lakefront Airport. This is the result of \$2,650,267 from the special levee improvement fund for rebuilding the southwest retaining wall, which was damaged during Hurricane Georges.

**Financial Analysis of the Government's Funds**

As noted earlier, the Orleans Levee District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**ORLEANS LEVEE DISTRICT**  
**STATE OF LOUISIANA**  
Management's Discussion and Analysis (Continued)

**Governmental funds.** The focus of the Orleans Levee District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Orleans Levee District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Orleans Levee District's governmental funds reported combined ending fund balances of \$56,797,220, an increase of \$2,348,107 in comparison with the prior year. An unreserved fund balance of \$29,069,647 is available for spending at the district's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed to (1) liquidate purchase orders and contracts (encumbrances of \$3,055,060), (2) pay Bohemia litigation settlements (\$639,356), and (3) pay for Capital Recovery Funding Bonds - Series 1988 (\$24,033,157).

The general fund is the chief operating fund of the Orleans Levee District. At the end of the current fiscal year, unreserved fund balance of the general fund was \$12,308,584, while total fund balance reached \$12,993,395. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balances and total fund balance to total fund expenditures. Unreserved fund balance represents 89.61% of total general fund expenditures.

The fund balance of the Orleans Levee District's general fund increased by \$811,723 during the current fiscal year. Key factors in this growth are as follows:

- An increase of \$404,000 in the transfer from the special levee improvement fund
- A decrease of \$351,738 in transfers to other funds
- An increase of \$146,742 in sale of assets

The debt service fund has a total fund balance of \$24,033,157, all of which is reserved for the payment of debt service. The net decrease in fund balance during the current fiscal year in the debt service fund was \$92,404. A contributing factor to this reduction was a significant decrease in interest income.

The general improvement fund has a total fund balance of \$2,184,230, which is available for spending for major maintenance and capital improvements. The net decrease in fund balance during the current fiscal year in the general improvement fund was \$241,333. The major sources of revenues for this fund are transfers from the general fund and grants. Major maintenance and capital improvement expenditures exceeded revenues for the current fiscal year.

The special levee improvement fund has a total fund balance of \$17,586,438, which is available for spending for major maintenance and capital improvements of the levee system. The net increase in fund balance during the current fiscal year in the special levee improvement fund was \$1,870,121. The major sources of revenues for this fund are taxes, grants and investment income. Major costs include debt service on the levee improvement bonds, series 1986 and

**ORLEANS LEVEE DISTRICT**  
**STATE OF LOUISIANA**  
Management's Discussion and Analysis (Continued)

series 1996, along with major maintenance and capital improvement expenditures for the levee system. During the current fiscal year, revenues exceeded expenditures.

**Proprietary funds.** The Orleans Levee District's proprietary funds provide the same type of information found in the government-wide financial statements but in more detail.

At the end of the year, unrestricted net assets of Lake Vista Community Center amounted to \$1,795,662; Orleans Marina amounted to \$11,751,837; South Shore Harbor amounted to \$7,750,574; and those of Lakefront Airport amounted to (\$13,748,883). Total growth in net assets for Lake Vista Community Center, Orleans Marina, South Shore Harbor, and Lakefront Airport was \$55,284, \$929,665, \$1,003,900, and \$1,405,695, respectively.

Lake Vista Community Center, Orleans Marina, and South Shore Harbor are all operating at a profit. While Lakefront Airport reported a growth in net assets for the current fiscal year, it would have recognized a loss of \$1,267,559 without the capital contribution of \$2,673,254 to Lakefront Airport, of which \$2,650,267 came from the special levee improvement fund for rebuilding the southwest retaining wall, which was damaged during Hurricane Georges.

Other factors concerning the finances of these funds have already been addressed in the discussion of the Orleans Levee District's business-type activities.

**General Fund Budgetary Highlights**

Major differences between the original budget and the final amended budget were as follows:

- Revenues
  - Increase of \$134,000 in investment income
  - Increase of \$156,355 in sale of assets
  - Increase of \$105,199 in royalties
  
- Expenditures
  - Increase of \$712,543 for professional services attributable to legal fees
  - Increase of \$471,532 for litigation settlements

During the year, revenues exceeded budgetary estimates and expenditures were less than budgetary estimates.

**Capital Assets and Debt Administration**

**Capital assets.** The Orleans Levee District's investment in capital assets for its governmental and business-type activities as of June 30, 2002, amounts to \$182,131,057 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, infrastructure, machinery, and equipment. The total decrease in the Orleans Levee District's investments in capital assets for the current fiscal year was 1.51% (a 2.07% decrease for governmental activities and a 0.16% decrease for business-type activities).

**ORLEANS LEVEE DISTRICT**  
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Management's Discussion and Analysis (Continued)

Major capital asset events during the current fiscal year included the following:

- The sale of \$1,205,125 of obsolete machinery and equipment at an auction, which was held on November 27, 2001.
- Machinery and equipment valued less than \$1,000 was written off in accordance with memorandum dated September 6, 2000, from the Louisiana Property Assistance Agency. Total cost basis of these assets was \$1,120,913.
- Rebuilding the southwest retaining wall at Lakefront Airport, which was damaged during Hurricane Georges, was completed during fiscal year 2002 at a total cost of \$2,650,267.
- Construction continued on Lakeshore Drive Reach 3 (roadway and bridge improvements). Construction in progress as of the close of the fiscal year had reached \$3,087,787.

**Orleans Levee District**  
**Capital Assets (net of depreciation)**

	Governmental Activities 2002	Business-type Activities 2002	Total 2002
Land	\$12,488,053	\$19,338,814	\$31,826,867
Buildings	3,489,310	2,567,333	6,056,643
Improvements other than buildings	3,427,936	31,647,087	35,075,023
Movable property	47,591	126,422	174,013
Vehicles	1,453,786	164,080	1,617,866
Infrastructure	104,113,277	-	104,113,277
Construction in progress	3,115,388	151,980	3,267,368
Total	<u>\$128,135,341</u>	<u>\$53,995,716</u>	<u>\$182,131,057</u>

Additional information on the Orleans Levee District's capital assets can be found in notes 1-K and 5 on pages 35 and 42 of this report.

**Long-term debt.** At the end of the current fiscal year, the Orleans Levee District had total bonded debt outstanding of \$106,790,000. The debt of the Orleans Levee District is payable from the avails of the two limited ad valorem taxes: the tax authorized by Article 6, Section 39 A of the Louisiana Constitution and the Special Levee Improvement Tax authorized by the election of November 1983. The 1988 Capital Recovery Funding Bonds are secured by a subordinated pledge of both taxes.

**ORLEANS LEVEE DISTRICT  
STATE OF LOUISIANA  
Management's Discussion and Analysis (Concluded)**

**Orleans Levee District  
Outstanding Debt**

	Governmental Activities 2002	Business-type Activities 2002	Total 2002
General obligation bonds	\$135,000		\$135,000
Public improvement bonds		\$30,920,000	30,920,000
Levee Improvement bonds	51,580,000		51,580,000
Capital recovery funding bonds	24,155,000		24,155,000
Total	<u>\$75,870,000</u>	<u>\$30,920,000</u>	<u>\$106,790,000</u>

The Orleans Levee District's debt decreased by \$3,760,000 (3.4%) during the current fiscal year because of scheduled debt service payments.

Additional information on the Orleans Levee District's long-term debt can be found in note 13 on page 46 of this report.

**Economic Factors and Next Year's Budgets and Rates**

The Board of Commissioners of the Orleans Levee District considered the following factors and indicators when setting next year's budget, rates, and fees. These factors and indicators include:

- Increase in boat slip rental rates at both Orleans Marina and South Shore Harbor Marina
- Minimal growth in assessed values of property subject to ad valorem taxes
- Expectation of low inflation and low interest rates on the district's investments

Given the constraints the Orleans Levee District faces in raising revenue, it is expected that next year's results will not improve. Some improvement may be realized should the privatization of Lakefront Airport be achieved.

**Requests for Information**

This financial report is designed to provide a general overview of the Orleans Levee District's finances for all those with an interest in the district's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Board of Commissioners of the Orleans Levee District, Finance Department, Suite 219, 6001 Stars & Stripes Boulevard, New Orleans, Louisiana 70126.

**ORLEANS LEVEE DISTRICT  
STATE OF LOUISIANA**

**Statement of Net Assets  
June 30, 2002**

	GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTALS
<b>ASSETS</b>			
Cash (note 2)	\$2,448,241	\$200	\$2,448,441
Investments (note 3)	62,581,535	2,450	62,583,985
Investments held for Bohemia litigation (note 3)	639,356		639,356
Receivables (note 4)	708,536	809,488	1,518,024
Internal balances	(7,604,503)	7,604,503	
Inventory (note 1-G)	246,981	292,696	539,677
Other assets	56,203	90,448	146,651
Restricted assets (note 11)		938,950	938,950
Deferred charges		567,926	567,926
Capital assets:			
Land (note 5)	12,488,053	19,338,814	31,826,867
Other capital assets, net of depreciation (note 5)	115,647,288	34,656,902	150,304,190
<b>TOTAL ASSETS</b>	<b>\$187,211,690</b>	<b>\$64,302,377</b>	<b>\$251,514,067</b>
<b>LIABILITIES</b>			
Current liabilities:			
Payables (note 12)	\$774,578	\$201,995	\$976,573
Contracts payable	572,335	154,904	727,239
Deferred revenues - current (note 1-L)	221,766	1,064,040	1,285,806
Due to other governments	331,585		331,585
Accrued compensated absences (note 9)	34,866	4,851	39,717
Other liabilities	10,000	60	10,060
Bonds payable (note 13)	2,610,000	1,395,000	4,005,000
Payable from restricted assets - accrued bond interest payable	587,611	304,543	892,154
Noncurrent liabilities:			
Deferred revenues - noncurrent (note 1-L)		866,077	866,077
Accrued compensated absences (note 9)	757,978	161,002	918,980
Bonds payable (note 13)	73,260,000	29,193,477	102,453,477
Judgments payable (note 20)	17,800,195		17,800,195
Total liabilities	96,960,914	33,345,949	130,306,863
<b>Net Assets</b>			
Invested in capital assets, net of related debt	76,555,341	23,407,239	99,962,580
Restricted for:			
Bohemia Spillway claims (note 3)	639,356		639,356
Debt service	24,033,157		24,033,157
Unrestricted (deficit)	(10,977,078)	7,549,189	(3,427,889)
Total net assets	90,250,776	30,956,428	121,207,204
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$187,211,690</b>	<b>\$64,302,377</b>	<b>\$251,514,067</b>

The notes to the financial statements are an integral part of this statement.

**ORLEANS LEVEE DISTRICT  
STATE OF LOUISIANA**

**Statement of Activities  
For the Year Ended June 30, 2002**

	PROGRAM REVENUES			
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
<b>FUNCTIONS/PROGRAMS</b>				
Governmental activities:				
Flood and drainage protection	\$18,224,050	\$40,129	\$3,184	\$2,159,385
Interest	4,205,687			
Total governmental activities	<u>22,429,737</u>	<u>40,129</u>	<u>3,184</u>	<u>2,159,385</u>
Business-type activities:				
Community Center	145,189	192,709		
Airport	8,140,100	5,931,766		287,187
Marinas	4,879,120	6,378,378		
Total business-type activities	<u>13,164,409</u>	<u>12,502,853</u>	<u>NONE</u>	<u>287,187</u>
Total	<u>\$35,594,146</u>	<u>\$12,542,982</u>	<u>\$3,184</u>	<u>\$2,446,572</u>

General revenues:

Property taxes  
 Unrestricted intergovernmental revenues  
 Unrestricted investment earnings  
 Miscellaneous  
 Gain on sale of capital assets  
 Litigation payments, net  
 Transfers  
 Total general revenues, litigation payments (net), and transfers

**CHANGE IN NET ASSETS**

**NET ASSETS AT BEGINNING OF YEAR, as restated (note 16)**

**NET ASSETS AT END OF YEAR**

The notes to the financial statements are an integral part of this statement.

NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTAL
(\$16,021,352)		(\$16,021,352)
(4,205,687)		(4,205,687)
<u>(20,227,039)</u>	NONE	<u>(20,227,039)</u>
	\$47,520	47,520
	(1,921,147)	(1,921,147)
	1,499,258	1,499,258
<u>NONE</u>	<u>(374,369)</u>	<u>(374,369)</u>
<u>(20,227,039)</u>	<u>(374,369)</u>	<u>(20,601,408)</u>
21,029,828		21,029,828
1,582,710		1,582,710
2,113,147	67,482	2,180,629
763,784	610,877	1,374,661
146,742	6,342	153,084
30,182		30,182
<u>(3,084,212)</u>	<u>3,084,212</u>	
<u>22,582,181</u>	<u>3,768,913</u>	<u>26,351,094</u>
2,355,142	3,394,544	5,749,686
<u>87,895,634</u>	<u>27,561,884</u>	<u>115,457,518</u>
<u>\$90,250,776</u>	<u>\$30,956,428</u>	<u>\$121,207,204</u>

**ORLEANS LEVEE DISTRICT  
STATE OF LOUISIANA  
GOVERNMENTAL FUNDS**

**Balance Sheet  
June 30, 2002**

	GENERAL FUND	DEBT SERVICE FUND	GENERAL IMPROVEMENT FUND	SPECIAL LEVEE IMPROVEMENT PROJECTS	TOTAL GOVERNMENTAL FUNDS
<b>ASSETS</b>					
Cash	\$667,302	\$1,780,939			\$2,448,241
Investments	21,865,782	24,760,074		\$15,955,679	62,581,535
Investments held for Bohemia litigation (note 3)	639,356				639,356
Receivables	198,150			205,652	403,802
Due from other funds (note 19)	16,104,545		\$2,473,422	1,896,971	20,474,938
Due from other governments	8,661		8,273		16,934
Inventory	246,981				246,981
Other assets	56,201				56,201
<b>TOTAL ASSETS</b>	<b>\$39,786,978</b>	<b>\$26,541,013</b>	<b>\$2,481,695</b>	<b>\$18,058,302</b>	<b>\$86,867,988</b>
<b>LIABILITIES</b>					
Payables (note 12)	\$773,559	\$620		\$399	\$774,578
Contracts payable			\$100,870	471,465	572,335
Deferred revenues - current	25,170		196,595		221,765
Due to other funds (note 19)	25,663,269	2,416,172			28,079,441
Due to other governments	331,585				331,585
Other liabilities		10,000			10,000
Payable from restricted assets		81,064			81,064
<b>Total Liabilities</b>	<b>26,793,583</b>	<b>2,507,856</b>	<b>297,465</b>	<b>471,864</b>	<b>30,070,768</b>
<b>FUND BALANCES</b>					
Reserved (note 17)	684,811	24,033,157	153,584	2,856,021	27,727,573
Unreserved - designated (note 18)	474,971				474,971
Unreserved - undesignated	11,833,613		2,030,646	14,730,417	28,594,676
<b>Total Fund Balances</b>	<b>12,993,395</b>	<b>24,033,157</b>	<b>2,184,230</b>	<b>17,586,438</b>	<b>56,797,220</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$39,786,978</b>	<b>\$26,541,013</b>	<b>\$2,481,695</b>	<b>\$18,058,302</b>	<b>\$86,867,988</b>

(Continued)

The notes to the financial statements are an integral part of this statement.

**ORLEANS LEVEE DISTRICT  
STATE OF LOUISIANA  
GOVERNMENTAL FUNDS  
Balance Sheet, 2002**

Reconciliation of fund balances - total governmental funds to the net assets of the governmental funds -	
Total governmental fund balances	\$56,797,220
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$35,905,430	128,135,340
Other noncurrent assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	287,801
Noncurrent liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Accrued bond interest payable	(506,546)
Accrued compensated absences	(792,844)
Bonds payable	(75,870,000)
Judgments payable	(17,800,195)
	<hr/>
Net Assets of Governmental Activities	<u><u>\$90,250,776</u></u>

(Concluded)

The notes to the financial statements are an integral part of this statement.

**ORLEANS LEVEE DISTRICT  
STATE OF LOUISIANA  
GOVERNMENTAL FUNDS**

**Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
June 30, 2002**

	GENERAL FUND	DEBT SERVICE FUND	GENERAL IMPROVEMENT FUND	SPECIAL LEVEE IMPROVEMENT PROJECTS	TOTAL GOVERNMENTAL FUNDS
<b>REVENUES</b>					
Taxes	\$10,294,248			\$10,856,870	\$21,151,118
Intergovernmental:					
Federal grants	10,411		\$800,521	1,213,670	2,024,602
State revenue sharing	1,582,710				1,582,710
Other state grants	3,235		128,704		131,939
Charges for services:					
Bohemia rents and leases	2,500				2,500
Other rents and leases	37,629				37,629
Oil and gas royalties	637,336				637,336
Investment income	572,131	\$1,085,253		455,763	2,113,147
Miscellaneous	126,397			51	126,448
Total revenues	<u>13,266,597</u>	<u>1,085,253</u>	<u>929,225</u>	<u>12,526,354</u>	<u>27,807,429</u>
<b>EXPENDITURES</b>					
Current - flood and drainage protection	12,785,321	75,694		490,623	13,351,638
Debt service:					
Principal		2,450,000		8,153	2,458,153
Interest		4,220,906			4,220,906
Capital outlay			1,189,458	3,627,059	4,816,517
Total expenditures	<u>12,785,321</u>	<u>6,746,600</u>	<u>1,189,458</u>	<u>4,125,835</u>	<u>24,847,214</u>
<b>EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES</b>	<u>481,276</u>	<u>(5,661,347)</u>	<u>(260,233)</u>	<u>8,400,519</u>	<u>2,960,215</u>
<b>OTHER FINANCING SOURCES (Uses)</b>					
Transfers in	1,036,000	5,568,943	213,900		6,818,843
Transfers out	(510,945)		(195,000)	(6,530,398)	(7,236,343)
Litigation proceeds	97,626				97,626
Litigation payments	(438,976)				(438,976)
Sales of assets	146,742				146,742
Total other financing sources (uses)	<u>330,447</u>	<u>5,568,943</u>	<u>18,900</u>	<u>(6,530,398)</u>	<u>(612,108)</u>
<b>NET CHANGE IN FUND BALANCES</b>	811,723	(92,404)	(241,333)	1,870,121	2,348,107
<b>FUND BALANCES AT BEGINNING OF YEAR</b>	<u>12,181,672</u>	<u>24,125,561</u>	<u>2,425,563</u>	<u>15,716,317</u>	<u>54,449,113</u>
<b>FUND BALANCES AT END OF YEAR</b>	<u>\$12,993,395</u>	<u>\$24,033,157</u>	<u>\$2,184,230</u>	<u>\$17,586,438</u>	<u>\$56,797,220</u>

The notes to the financial statements are an integral part of this statement.

**ORLEANS LEVEE DISTRICT  
STATE OF LOUISIANA  
GOVERNMENTAL FUNDS**

**Reconciliation of the Statement of Revenues, Expenditures,  
and Changes in Fund Balances of Governmental Funds  
to the Statement of Activities  
For the Year Ended June 30, 2002**

Net change in fund balances - total governmental funds (Statement D)	\$2,348,107
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:	
Capital asset additions	1,180,961
Depreciation expense	(3,891,383)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	(121,290)
Repayment of noncurrent debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets:	
Capital obligation principal payments	2,450,000
Judgments payable	371,532
In the Statement of Activities, bond interest and compensated absences are accrued, whereas in governmental funds, these expenditures are reported when due.	
Accrued bond interest	23,373
Accrued compensated absences	(6,158)
	<hr/>
Change in Net Assets of Governmental Activities (Statement B)	<u><u>\$2,355,142</u></u>

The notes to the financial statements are an integral part of this statement.

**ORLEANS LEVEE DISTRICT  
STATE OF LOUISIANA  
GENERAL FUND**

**Statement of Revenues, Expenditures, and Changes  
In Fund Balances - Budget and Actual  
For the Year Ended June 30, 2002**

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL		
<b>REVENUES</b>				
Ad valorem taxes	\$9,972,556	\$9,972,556	\$10,294,248	\$321,692
Intergovernmental revenues:				
State revenue sharing	1,500,000	1,500,000	1,582,710	82,710
State grants			3,235	3,235
Federal grants			10,411	10,411
Charges for services - rents and leases:				
Bohemia Spillway	15,417	89,742	2,500	(87,242)
Other locations	28,471	30,516	37,629	7,113
Investment income	450,000	584,000	572,131	(11,869)
Miscellaneous	1,500	49,055	126,397	77,342
Oil and gas royalties	300,000	330,874	637,336	306,462
Total revenues	<u>12,267,944</u>	<u>12,556,743</u>	<u>13,266,597</u>	<u>709,854</u>
<b>EXPENDITURES</b>				
Flood and drainage protection:				
Personal services	10,103,574	9,813,485	7,857,771	1,955,714
Travel	21,640	24,041	14,585	9,456
Contractual services	2,780,428	2,778,933	2,366,529	412,404
Materials and supplies	925,513	943,882	830,217	113,665
Professional services	1,030,000	1,742,543	1,197,632	544,911
Other charges	27,310	24,401	17,836	6,565
Machinery and equipment	440,000	517,822	500,751	17,071
Litigation settlement	200,000	671,532	341,350	330,182
Total expenditures	<u>15,528,465</u>	<u>16,516,639</u>	<u>13,126,671</u>	<u>3,389,968</u>
Excess (deficiency) of revenues over expenditures	<u>(3,260,521)</u>	<u>(3,959,896)</u>	<u>139,926</u>	<u>4,099,822</u>
<b>OTHER FINANCING SOURCES (Uses)</b>				
Contingencies	(19,500)	(12,865)		12,865
Operating transfers in	1,036,000	1,036,000	1,036,000	
Operating transfers out	(279,545)	(510,945)	(510,945)	
Sales of assets		156,355	146,742	(9,613)
Total other financing sources (uses)	<u>736,955</u>	<u>668,545</u>	<u>671,797</u>	<u>3,252</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(2,523,566)</u>	<u>(3,291,351)</u>	<u>811,723</u>	<u>4,103,074</u>
<b>FUND BALANCES AT BEGINNING OF YEAR</b>	<u>12,181,672</u>	<u>12,181,672</u>	<u>12,181,672</u>	<u>NONE</u>
<b>FUND BALANCES AT END OF YEAR</b>	<u>\$9,658,106</u>	<u>\$8,890,321</u>	<u>\$12,993,395</u>	<u>\$4,103,074</u>

The notes to the financial statements are an integral part of this statement.

**ORLEANS LEVEE DISTRICT  
STATE OF LOUISIANA  
PROPRIETARY FUNDS**

**Statement of Net Assets  
June 30, 2002**

	LAKE VISTA COMMUNITY CENTER	ORLEANS MARINA	SOUTH SHORE HARBOR MARINA	LAKEFRONT AIRPORT	TOTAL PROPRIETARY FUNDS
<b>ASSETS</b>					
Current assets:					
Cash		\$100	\$100		\$200
Investments		2,450			2,450
Receivables (net of allowance for uncollectibles) (note 4)		61,481	289,601	\$458,406	809,488
Due from other funds (note 19)	\$1,804,271	11,991,850	7,496,755		21,292,876
Inventory				292,696	292,696
Other assets	1,208	21,176	28,367	39,697	90,448
Total current assets	<u>1,805,479</u>	<u>12,077,057</u>	<u>7,814,823</u>	<u>790,799</u>	<u>22,488,158</u>
Noncurrent assets:					
Restricted assets (note 11)			938,950		938,950
Deferred charges			567,926		567,926
Land (note 5)	4,573	526,339	3,358,103	15,449,799	19,338,814
Other capital assets (net of accumulated depreciation) (note 5)	1,141,837	834,347	20,814,755	11,865,963	34,656,902
Total noncurrent assets	<u>1,146,410</u>	<u>1,360,686</u>	<u>25,679,734</u>	<u>27,315,762</u>	<u>55,502,592</u>
<b>TOTAL ASSETS</b>	<u><u>\$2,951,889</u></u>	<u><u>\$13,437,743</u></u>	<u><u>\$33,494,557</u></u>	<u><u>\$28,106,561</u></u>	<u><u>\$77,990,750</u></u>
<b>LIABILITIES</b>					
Liabilities:					
Current liabilities:					
Payables (note 12)	\$63	\$15,113	\$13,157	\$173,662	\$201,995
Contracts payable		119,614		35,290	154,904
Deferred revenues	9,694	176,245	360,465	517,636	1,064,040
Due to other funds (note 19)				13,688,373	13,688,373
Accrued compensated absences (note 13)		74	1,138	3,639	4,851
Other liabilities	60				60
Bonds payable (note 13)			1,395,000		1,395,000
Payable from restricted assets			304,543		304,543
Total current liabilities	<u>9,817</u>	<u>311,046</u>	<u>2,074,303</u>	<u>14,418,600</u>	<u>16,813,766</u>
Noncurrent liabilities:					
Deferred revenues			866,077		866,077
Accrued compensated absences (note 13)		14,174	25,745	121,083	161,002
Bonds payable (note 13)			29,193,477		29,193,477
Total noncurrent liabilities	<u>NONE</u>	<u>14,174</u>	<u>30,085,299</u>	<u>121,083</u>	<u>30,220,556</u>
Total Liabilities	<u>9,817</u>	<u>325,220</u>	<u>32,159,602</u>	<u>14,539,683</u>	<u>47,034,322</u>
<b>Net Assets</b>					
Invested in capital assets (net of related debt)	1,146,410	1,360,686	(6,415,619)	27,315,761	23,407,238
Unrestricted (deficit)	1,795,662	11,751,837	7,750,574	(13,748,883)	7,549,190
Total Net Assets	<u>2,942,072</u>	<u>13,112,523</u>	<u>1,334,955</u>	<u>13,566,878</u>	<u>30,956,428</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$2,951,889</u></u>	<u><u>\$13,437,743</u></u>	<u><u>\$33,494,557</u></u>	<u><u>\$28,106,561</u></u>	<u><u>\$77,990,750</u></u>

The notes to the financial statements are an integral part of this statement.

**ORLEANS LEVEE DISTRICT  
STATE OF LOUISIANA  
PROPRIETARY FUNDS**

**Statement of Revenues, Expenses, and  
Changes in Fund Net Assets  
For the Year Ended June 30, 2002**

	LAKE VISTA COMMUNITY CENTER	ORLEANS MARINA	SOUTH SHORE HARBOR MARINA	LAKEFRONT AIRPORT	TOTAL PROPRIETARY FUNDS
<b>OPERATING REVENUES</b>					
Charges for services:					
Rentals	\$192,709	\$1,412,364	\$550,298	\$1,338,891	\$3,494,262
Fuel farm sales and fees				4,286,990	4,286,990
Gaming fees			4,415,716	305,885	4,721,601
Total charges for services	<u>192,709</u>	<u>1,412,364</u>	<u>4,966,014</u>	<u>5,931,766</u>	<u>12,502,853</u>
Miscellaneous	264	127,770	81,886	400,957	610,877
Total operating revenues	<u>192,973</u>	<u>1,540,134</u>	<u>5,047,900</u>	<u>6,332,723</u>	<u>13,113,730</u>
<b>OPERATING EXPENSES</b>					
Personal services		345,148	409,603	1,821,768	2,576,519
Travel		2,078		1,052	3,130
Contractual services	59,291	102,354	195,907	566,720	924,272
Materials and supplies:					
Fuel farm				3,594,028	3,594,028
Other	1,960	26,024	38,467	137,124	203,575
Professional services	2,535	96,184	11,208	463,115	573,042
Other charges		19,744	10,034	9,776	39,554
Depreciation	81,403	85,501	1,441,567	1,399,716	3,008,187
Major maintenance		123,214	82,389	146,801	352,404
Total operating expenses	<u>145,189</u>	<u>800,247</u>	<u>2,189,175</u>	<u>8,140,100</u>	<u>11,274,711</u>
<b>NET OPERATING INCOME (Loss)</b>	<u>47,784</u>	<u>739,887</u>	<u>2,858,725</u>	<u>(1,807,377)</u>	<u>1,839,019</u>
<b>NONOPERATING REVENUES (Expenses)</b>					
Investment income		305	23,472	43,705	67,482
Gain (loss) on sales of fixed assets		1,385	(1,070)	6,027	6,342
Debt service interest and bank charges			(1,889,142)		(1,889,142)
Federal and state grants				287,186	287,186
Total nonoperating revenues (expenses)	<u>NONE</u>	<u>1,690</u>	<u>(1,866,740)</u>	<u>336,918</u>	<u>(1,528,132)</u>
<b>NET INCOME (Loss) BEFORE CONTRIBUTIONS AND TRANSFERS</b>	<u>47,784</u>	<u>741,577</u>	<u>991,985</u>	<u>(1,470,459)</u>	<u>310,887</u>
<b>CONTRIBUTIONS AND TRANSFERS</b>					
Capital contributions from other funds				2,673,254	2,673,254
Capital contributions to other funds		(6,747)	(350)		(7,097)
Operating transfers in	7,500	199,600	12,265	202,900	422,265
Operating transfers out		(4,765)			(4,765)
Total contributions and transfers	<u>7,500</u>	<u>188,088</u>	<u>11,915</u>	<u>2,876,154</u>	<u>3,083,657</u>
<b>CHANGES IN NET ASSETS</b>	55,284	929,665	1,003,900	1,405,695	3,394,544
<b>TOTAL NET ASSETS AT BEGINNING OF YEAR</b>	<u>2,886,788</u>	<u>12,182,858</u>	<u>331,055</u>	<u>12,161,183</u>	<u>27,561,884</u>
<b>TOTAL NET ASSETS AT END OF YEAR</b>	<u>\$2,942,072</u>	<u>\$13,112,523</u>	<u>\$1,334,955</u>	<u>\$13,566,878</u>	<u>\$30,956,428</u>

The notes to the financial statements are an integral part of this statement.

**ORLEANS LEVEE DISTRICT  
STATE OF LOUISIANA  
PROPRIETARY FUNDS**

**Statement of Cash Flows  
For the Year Ended June 30, 2002**

	LAKE VISTA COMMUNITY CENTER	ORLEANS MARINA	SOUTH SHORE HARBOR MARINA	LAKEFRONT AIRPORT	TOTAL PROPRIETARY FUNDS
<b>CASH FLOW FROM OPERATING ACTIVITIES:</b>					
Receipts from customers	\$204,104	\$1,533,464	\$5,319,231	\$6,780,255	\$13,837,054
Payments to suppliers	(64,203)	(267,329)	(290,970)	(5,163,000)	(5,785,502)
Payments to employees		(345,618)	(410,883)	(1,846,355)	(2,602,856)
Internal activity - payments to other funds	(147,401)	(994,056)	(1,402,142)	(155,425)	(2,699,024)
Net cash provided (used) by operating activities	(7,500)	(73,539)	3,215,236	(384,525)	2,749,672
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES -</b>					
Operating transfers from other funds	7,500	194,835	12,265	202,900	417,500
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Proceeds from sale of capital assets		1,386	580	7,648	9,614
Purchase of capital assets		(122,987)	(2,519)	(156,914)	(282,420)
Proceeds from federal and state grants				287,186	287,186
Principal paid on capital debt			(1,210,910)		(1,210,910)
Interest paid on capital debt			(1,972,151)		(1,972,151)
Net cash provided (used) by capital and related financing activities	NONE	(121,601)	(3,185,000)	137,920	(3,168,681)
<b>CASH FLOWS FROM INVESTING ACTIVITIES -</b>					
Interest	NONE	305	23,471	43,705	67,481
<b>Net Increase in cash and cash equivalents</b>	NONE	NONE	65,972	NONE	65,972
<b>Cash and cash equivalents, July 1, 2001</b>	NONE	100	873,078	NONE	873,178
<b>Cash and cash equivalents, June 30, 2002</b>	NONE	\$100	\$939,050	NONE	\$939,150
Cash		\$100	\$100		\$200
Restricted cash, including time deposits			938,950		938,950
<b>Total cash and cash equivalents, end of year</b>	NONE	\$100	\$939,050	NONE	\$939,150
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>					
Operating income (loss)	\$47,784	\$739,887	\$2,858,725	(\$1,807,377)	\$1,839,019
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Cash flows reported in other categories:					
Removal of fixed assets		11,084	2,898	9,582	23,564
Depreciation expense	81,403	85,501	1,441,567	1,399,716	3,008,187
Amortization of bond issuance costs			70,124		70,124
Change in assets and liabilities:					
Receivables, net	10,202	(35,337)	13,765	(5,301)	(16,671)
Investments		(54)			(54)
Inventories				(60,710)	(60,710)
Prepaid expenses and other assets	(383)	(17,941)	(26,720)	(39,497)	(84,541)
Receivables from other funds	(147,401)	(994,056)	(1,402,142)	(155,425)	(2,699,024)
Accounts and other payables	895	137,377	257,019	274,487	669,778
Net cash provided (used) by operating activities	(\$7,500)	(\$73,539)	\$3,215,236	(\$384,525)	\$2,749,672

The notes to the financial statements are an integral part of this statement.

**ORLEANS LEVEE DISTRICT  
STATE OF LOUISIANA**

Notes to the Financial Statements  
As of and for the Year Ended June 30, 2002

**INTRODUCTION**

The Orleans Levee District and its board of commissioners were established by Act 93 of the 1890 General Assembly (Legislature) of the State of Louisiana. The board has primary responsibility for the operation and maintenance of levees, embankments, seawalls, jetties, breakwaters, water basins, and other hurricane and flood protection improvements surrounding the City of New Orleans, including the southern shores of Lake Pontchartrain and along the Mississippi River. The board is responsible for the maintenance of almost 129 miles of levees and floodwalls. To enhance flood protection, the Orleans Levee District and the United States Corps of Engineers participate in several joint flood protection projects (note 24) relative to the Lake Pontchartrain and Vicinity Hurricane Protection Plan (High Level Plan).

Act 292 of the 1928 Louisiana Legislature authorized the board to dedicate, construct, operate, and maintain public parks, beaches, marinas, aviation fields, and other like facilities. The board owns and operates a general aviation airport, the New Orleans Lakefront Airport. The board also owns and operates the Orleans Marina and the South Shore Harbor Marina. The Orleans Marina has 352 boat slips. The South Shore Harbor Marina, which was officially dedicated September 19, 1987, has a 43-acre calm water basin, 447 open boat slips, and 26 covered boat slips. In addition, Orleans Levee District receives certain rents and gaming related monies from a steamboat operator located at the South Shore Harbor Marina. The levee district has approximately 256 full-time employees, including 53 police officers and 12 firefighters.

The levee district is governed by a board of eight commissioners, six of whom are appointed by the governor. Two commissioners serve in an ex-officio capacity, the mayor of the City of New Orleans or his designee and one member appointed by the mayor from a list of three city councilmen selected by the members of the city council of New Orleans.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. BASIS OF PRESENTATION**

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as applied to governmental units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting principles and financial reporting standards.

This financial report has been prepared in conformity with GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, issued in June 1999.

**ORLEANS LEVEE DISTRICT**  
**STATE OF LOUISIANA**  
Notes to the Financial Statements (Continued)

**B. REPORTING ENTITY**

GASB Codification Section 2100 has defined the governmental reporting entity to be the State of Louisiana. The levee district is considered a component unit of the State of Louisiana because the state exercises oversight responsibility in that the governor appoints the majority of commissioners and can impose his will upon the levee district. The accompanying financial statements present information only as to the transactions of the Orleans Levee District, a component unit of the State of Louisiana. Annually, the State of Louisiana issues basic financial statements, which include the activity contained in the accompanying financial statements.

**C. FUNDS**

The levee district uses funds to maintain its financial records during the year. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

Funds of the levee district are classified into two categories: governmental and proprietary. In turn, each category is divided into separate fund types. The fund classification and a description of each existing fund type follows:

**Governmental Funds**

Governmental funds account for all or most of the levee district's general activities. These funds focus on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may be used. Current liabilities are assigned to the fund from which they will be paid. The difference between a governmental fund's assets and liabilities is reported as fund balance. In general, fund balance represents the accumulated expendable resources which may be used to finance future period programs or operations of the levee district. The following are the levee district's primary governmental funds:

1. General Fund--the primary operating fund of the levee district and it accounts for all financial resources, except those required to be accounted for in other funds.
2. Debt Service Fund--accounts for transactions relating to resources retained and used for the payment of general long-term debt principal, interest and related costs.
3. Capital projects funds--account for financial resources received and used for the acquisition, construction, or improvement of capital facilities not reported in the other governmental funds.

**ORLEANS LEVEE DISTRICT**  
**STATE OF LOUISIANA**  
Notes to the Financial Statements (Continued)

**Proprietary Funds**

Proprietary funds account for activities similar to those found in the private sector where the determination of net income is necessary or useful to sound financial administration. Proprietary funds differ from governmental funds in that their focus is on income measurement, which, together with the maintenance of equity, is an important financial indicator. Proprietary funds of the levee district consist of enterprise funds that account for the operations of the community center, marinas, and airport. The intent of the levee district for these facilities is (a) that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) that the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**D. MEASUREMENT FOCUS/BASIS OF ACCOUNTING**

**Government-Wide Financial Statements (GWFS)**

The Statement of Net Assets (Statement A) and the Statement of Activities (Statement B) display information about the reporting government as a whole. These statements include all the financial activities of the levee district. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. In the process of aggregating data for the Statement of Net Assets and the Statement of Activities, certain interfund activity and balances were eliminated or reclassified.

The GWFS were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange or exchange-like transactions are recognized when the exchange occurs (regardless of when cash is received or disbursed). Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

**Program Revenues** - Program revenues included in the Statement of Activities (Statement B) derive directly from parties outside the levee district's taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the levee district's general revenues.

**Allocation of Indirect Expenses** - The levee district reports all direct expenses by function in the Statement of Activities (Statement B). Direct expenses are those that are clearly identifiable with a function. Depreciation expense, which can be specifically identified by function, is included in the direct expenses of each function. Interest on

**ORLEANS LEVEE DISTRICT**  
**STATE OF LOUISIANA**  
Notes to the Financial Statements (Continued)

general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

**Fund Financial Statements**

Governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Fund financial statements report detailed information about the levee district. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column.

Governmental funds use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The levee district considers all revenues available if they are collected within 60 days after the fiscal year-end. Expenditures are recorded when the related fund liability is incurred, except for interest and principal payments on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources. The governmental funds use the following practices in recording revenues and expenditures:

**Revenues**

Ad valorem taxes and the related state revenue sharing (which is based on population and homesteads in the parish) are recorded in the year the taxes are due and payable. As provided by Louisiana Revised Statute (R.S.) 47:1997(b), ad valorem taxes are assessed for the calendar year, become due on the first day of January each year, and become delinquent on the first day of February. The taxes are generally collected in January, February, March, and April of each year.

**ORLEANS LEVEE DISTRICT**  
**STATE OF LOUISIANA**  
Notes to the Financial Statements (Continued)

Federal and state entitlements are recorded as unrestricted grants-in-aid when available and measurable. Expenditure-driven federal and state grants are recorded as restricted grants-in-aid when the reimbursable expenditures have been incurred.

Oil and gas royalties are recorded when earned.

Investment income includes both the interest earned on cash and investments and the change in the fair value of investments. GASB Statement No. 31 requires that investments be reported at fair value on the balance sheet. The change in fair value of investments from the beginning to the end of the current fiscal year is the net increase (decrease) in the fair value of investments and is included as a component of investment income.

Substantially all other revenues are recorded when received.

**Expenditures**

In the fund financial statements, expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for accumulated annual and sick leave, which is recognized when paid, and interest on general long-term debt, which is not recognized until due.

**Other Financing Sources (Uses)**

Other financing sources (uses), representing transfers between funds that are not expected to be repaid; sale of assets; proceeds from capital leases; and proceeds from litigation settlements, are recognized when they become available and measurable. Litigation settlements are recognized in the period in which they occur.

Proprietary funds are accounted for using a flow of economic resources measurement focus and a determination of net income and capital maintenance. With this measurement focus, all assets and liabilities associated with the operations of these funds are included on the balance sheet. The proprietary funds - enterprise funds use the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized at the time liabilities are incurred. Major revenues and expenses are recorded as follows:

**Revenues**

Rentals and fuel farm sales are recorded as operating revenues in the accounting period in which they are earned.

**ORLEANS LEVEE DISTRICT**  
**STATE OF LOUISIANA**  
Notes to the Financial Statements (Continued)

Gaming fees are recorded as operating revenues in the accounting period in which they are earned.

Investment income and federal and state grants are recognized as nonoperating revenue in the accounting period in which they are earned.

**Expenses**

Salaries are recognized as expenses in the accounting period earned by employees.

Depreciation expense on all exhaustible capital assets is determined by the straight-line method using the estimated useful life and is recorded as an operating expense during the accounting period.

Substantially all other expenses are recognized when incurred.

Under the provisions of GASB Statement 20, "Accounting and Financial Reporting for Proprietary Fund Accounting," the levee district follows pronouncements of the GASB and has elected not to follow Financial Accounting Standards Board guidance issued subsequent to November 30, 1989.

**E. BUDGET PRACTICES**

The levee district prepares its budget in accordance with R.S. 38:318. The budget is prepared on a modified accrual basis for the General Fund. The budget for the fiscal year ended June 30, 2002, was adopted on February 21, 2001, and subsequent amendments were adopted on February 20, 2002 and May 15, 2002. Formal budget integration is employed as a management control device during the year for the General Fund. The Debt Service Fund is not budgeted; however, operating transfers relating to debt service are budgeted in the General Fund. All appropriations lapse at year-end, and any encumbrances outstanding at year-end in the governmental funds are included in the next year's budget with funds appropriated in that year to finance them.

**F. CASH AND INVESTMENTS**

Cash includes petty cash, demand deposits, and cash with paying agents. Under state law, the Orleans Levee District may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. Furthermore, the levee district may invest in certificates of deposit of state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

**ORLEANS LEVEE DISTRICT**  
**STATE OF LOUISIANA**  
Notes to the Financial Statements (Continued)

Under state law, the levee district may invest in United States Treasury obligations, United States government agency obligations, and direct security repurchase agreements, or in eligible mutual funds that invest in these securities. Investments are stated at fair value.

**G. INVENTORY**

The levee district maintains a perpetual inventory system for general government materials and supplies and fuel purchased for resale by the New Orleans Lakefront Airport (enterprise fund). The general government inventory is recorded as an expenditure in the General Fund at the time the individual items are withdrawn from stock. The general government inventory is valued at average cost. The year-end balance consists of flood protection items that could be needed at any time. The fuel purchases are recorded as an expense in the previously mentioned enterprise fund when consumed. The fuel purchases are valued at cost using the first-in, first-out (FIFO) method.

**H. RESTRICTED ASSETS**

Restricted assets presented in the proprietary fund financial statements represent proceeds from debt and funds set aside for payment of enterprise fund general obligation debt. These funds are classified as restricted assets since their use is limited by applicable bond indentures.

**I. ENCUMBRANCES**

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded to reserve that portion of the applicable fund balance, is employed as an extension of formal budget integration in the General Fund and capital projects funds. Encumbrances outstanding at year-end are reported as reservations of fund balances in the fund financial statements since they do not constitute available spendable resources.

**J. DEFERRED CHARGES**

Deferred charges consist of unamortized bond issue costs. These costs are capitalized and amortized over the term of the bonds using the bonds outstanding method, which approximates the effective interest method.

**K. CAPITAL ASSETS**

Capital assets, which include property, plant, equipment, and infrastructure (such as bridges, seawalls, roads, and levees), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are capitalized at historical cost. Donated assets are recorded as capital assets

**ORLEANS LEVEE DISTRICT**  
**STATE OF LOUISIANA**  
Notes to the Financial Statements (Continued)

at their estimated fair value at the date of donation. The levee district maintains a threshold level of \$1,000 or more for capitalizing equipment.

Capital assets used in the governmental funds are recorded as expenditures in the governmental fund financial statements. Depreciation expense is recorded in the government-wide financial statements, as well as the proprietary fund statements. No salvage value is taken into consideration for depreciation purposes. All capital assets, other than land, are depreciated using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Years</u>
Land improvements	20
Buildings and building improvements	40
Furniture and fixtures	7-10
Vehicles	7
Equipment	7-10
Infrastructure	40

**Flood Protection Systems**

Resources of the United States Army Corps of Engineers (USACE), the State of Louisiana, the Orleans Levee District, and the City of New Orleans as local participants are committed to protecting lives and property of the residents and businesses of the City of New Orleans from the potential for flooding posed by the Mississippi River and its tributaries, and from Lake Pontchartrain.

The Orleans Levee District and the Corps of Engineers have together invested \$372 million in flood control systems in the Lake Pontchartrain and Vicinity Hurricane Protection Plan for Orleans Parish. Major elements of the protection program include (1) levees, floodwalls and floodgates along the lakefront, Mississippi River Gulf Outlet canal and along the three critical outfall canals, (2) a seawall at the shores of Lake Pontchartrain, and (3) barrier levees on the outskirts of the city. The current height of these levees is 14 to 18 feet.

The USACE has spent \$19.9 million on 27.5 miles of Mississippi River levees, floodwalls, floodgates, and other flood control structures.

In accordance with accounting principles generally accepted in the United States of America and the Governmental Accounting Standards Board Statement No. 34, governments are required to identify infrastructure assets, including flood control systems. While the Orleans Levee District manages and monitors the levees, flood control structures and bridges comprising the flood protection system, the USACE has the primary responsibility for major maintenance and construction. Accordingly, the

**ORLEANS LEVEE DISTRICT**  
**STATE OF LOUISIANA**  
Notes to the Financial Statements (Continued)

Orleans Levee District has excluded from its financial statements those costs incurred on assets owned by others or substantially built and maintained by others.

Only those portions of the flood protection system that were funded by the district's 1984 bond issue have been capitalized. Those costs are included in the financial statements and amount to \$53,481,035 relating to investments in levees, floodwalls, floodgates, flood control structures, et cetera.

**Other Infrastructure Assets**

In addition to the \$53,481,035 noted above, the financial statements reflect investments in roadways, bridges, parks and recreation, and buildings. Total cost of infrastructure assets at June 30, 2002, totaled \$121,684,581. The components of this total are as follows:

Bridges/roadways	\$64,285,729
Parks/recreation	1,608,249
Buildings	2,309,568
Subtotal - other infrastructure assets	<u>68,203,546</u>
Flood protection systems	<u>53,481,035</u>
 Total - infrastructure assets	 <u><u>\$121,684,581</u></u>

Accumulated depreciation on infrastructure assets at June 30, 2002, totals \$17,571,304.

**L. DEFERRED REVENUES**

The levee district reports deferred revenues on its fund financial statement balance sheet. Deferred revenues arise when resources are received by the levee district before it has a legal claim to them, as when grant monies are received before the incurrence of qualifying expenditures. In subsequent periods, when the levee district has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and the revenue is recognized.

**M. COMPENSATED ABSENCES**

Employees earn and accumulate annual and sick leave at various rates, depending on their years of service. The amount of annual and sick leave that may be accumulated by each employee is unlimited. Upon termination, employees or their heirs are compensated for up to 300 hours of unused annual leave at the employee's hourly rate of pay at the time of termination. Upon retirement, unused annual leave in excess of 300 hours plus unused sick leave are used to compute retirement benefits. In addition, it is the levee district's policy to pay any accumulated compensatory leave at the employee's hourly rate of pay at the time of termination.

**ORLEANS LEVEE DISTRICT**  
**STATE OF LOUISIANA**  
Notes to the Financial Statements (Continued)

The cost of leave privileges, computed in accordance with GASB Codification Section C60, is recognized as a current year expenditure in the governmental fund financial statements when leave is actually taken. The government-wide financial statements present the cost of accumulated annual leave as a liability. There is no liability for unpaid accumulated sick leave since the levee district does not have a policy to pay this amount when employees separate from service.

**N. LONG-TERM OBLIGATIONS**

The government-wide financial statements and the proprietary fund statements present long-term debt and other long-term obligations. Bond premiums and discounts are deferred and amortized over the term of the bonds using the straight-line method. Bond premiums are presented as additions to the face amount of bonds payable and bond discounts are presented as reductions to the face amount of bonds payable.

**O. POSTEMPLOYMENT HEALTH CARE  
AND LIFE INSURANCE BENEFITS**

The Orleans Levee District provides certain continuing health care and life insurance benefits for its retired employees. The levee district recognizes the cost of providing these retiree benefits as an expenditure when paid during the year.

**P. DEFERRED COMPENSATION PLAN**

Certain employees of the Orleans Levee District participate in the Louisiana Public Employees Deferred Compensation Plan adopted under the provisions of Internal Revenue Code Section 457. Complete disclosures relating to the Plan are included in the separately issued audit report for the Plan, available from the Louisiana Legislative Auditor, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397.

**Q. FUND EQUITY**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**ORLEANS LEVEE DISTRICT**  
**STATE OF LOUISIANA**  
Notes to the Financial Statements (Continued)

**R. RESTRICTED NET ASSETS**

For the government-wide statement of net assets, net assets are reported as restricted when constraints placed on net asset use are either:

- (1) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments; or
- (2) imposed by law through constitutional provisions or enabling legislation.

**S. INTERFUND TRANSACTIONS**

Transactions that constitute reimbursements to a fund for expenditures/expenses, initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**T. ESTIMATES**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

**2. DEPOSITS WITH FINANCIAL INSTITUTIONS**

At June 30, 2002, the levee district has cash (book balances), totaling \$3,387,391, which consist of the following:

Demand deposits	\$666,802
Petty cash	700
Cash with fiscal agent	<u>1,780,939</u>
Subtotal	<u>2,448,441</u>
Restricted assets - cash with fiscal agent	<u>938,950</u>
Total	<u><u>\$3,387,391</u></u>

**ORLEANS LEVEE DISTRICT  
STATE OF LOUISIANA**  
Notes to the Financial Statements (Continued)

Deposits in bank accounts are stated at cost, which approximates market. Under state law, these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. The deposits at June 30, 2002, are secured as follows:

	<u>Deposits in Bank Accounts</u>			<u>Total</u>
	<u>Cash</u>	<u>Certificates of Deposit</u>	<u>Other</u>	
Deposits in Bank Accounts per Balance Sheet	<u>\$3,386,691</u>	<u>NONE</u>	<u>NONE</u>	<u>\$3,386,691</u>
Bank Balances:				
a. Insured (FDIC) or collateralized with securities held by the entity or its agent in the entity's name (Category 1)	\$214,974			\$214,974
b. Collateralized with securities held by pledging financial institution's trust department or agent in the entity's name (Category 2)				
c. Uncollateralized, including any securities held for the entity but not in the entity's name (Category 3)	<u>4,059,360</u>			<u>4,059,360</u>
Total Bank Balances	<u>\$4,274,334</u>	<u>NONE</u>	<u>NONE</u>	<u>\$4,274,334</u>

**3. INVESTMENTS**

At June 30, 2002, investments of the levee district total \$63,223,341, which is shown on Statement A as \$62,583,985 of investments and \$639,356 as investments held for Bohemia litigation.

**ORLEANS LEVEE DISTRICT**  
**STATE OF LOUISIANA**  
Notes to the Financial Statements (Continued)

A summary of levee district investments follows:

	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Reported Amount</u>	<u>Fair Value</u>
<b>Government Securities:</b>					
United States Treasury obligations			\$29,338,503	\$29,338,503	\$29,338,503
Federal Home Loan Mortgage			7,053,991	7,053,991	7,053,991
Federal National Mortgage Association			17,536,638	17,536,638	17,536,638
Governmental National Mortgage Association			4,229,224	4,229,224	4,229,224
<b>Total governmental securities</b>	<u>NONE</u>	<u>NONE</u>	<u>\$58,158,356</u>	<u>58,158,356</u>	<u>58,158,356</u>
<b>Certificate of Deposit</b>			<u>\$2,000,000</u>	<u>2,000,000</u>	<u>2,000,000</u>
<b>Investments not categorized - money market mutual funds</b>				<u>3,064,985</u>	<u>3,064,985</u>
<b>Total investments</b>				<u>\$63,223,341</u>	<u>\$63,223,341</u>

Investments of governmental securities reflected in the governmental funds and the enterprise funds are stated at fair value as required by GASB Statement No. 31. The levee district used quoted market values to determine the fair value of the investments. These investments are direct obligations of the United States Department of Treasury and other federal governmental agencies. These investments are considered uninsured and unregistered as these securities are not in the name of the levee district and are held by the fiscal agents and/or their trust departments. These investments are classified as GASB Risk Category 3 of Statement No. 3 in applying the credit risk of GASB Codification Section 150.164.

The \$3,064,985 of money market mutual funds consist of shares of mutual funds that are invested in direct obligations of the United States Department of Treasury, other federal governmental agencies, and repurchase agreements involving these securities. These investments are not required to be classified as to category of credit risk by GASB Codification Section 150.165.

At June 30, 2002, the total governmental securities, certificates of deposit, and money market mutual funds reflected in the governmental funds is \$63,220,891 and in the enterprise funds is \$2,450.

**ORLEANS LEVEE DISTRICT**  
**STATE OF LOUISIANA**  
Notes to the Financial Statements (Continued)

**4. RECEIVABLES**

At June 30, 2002, the levee district has receivable balances, totaling \$1,518,024, as follows:

<u>Class of Receivables</u>	<u>Total Governmental Activities</u>	<u>Total Business-type Activities</u>	<u>Total</u>
Grant:			
State	\$593	\$32,738	\$33,331
Federal		62,991	62,991
Due from other agency	16,341		16,341
Ad valorem taxes	688,447		688,447
Fuel farm sales and fees		318,902	318,902
Rents, leases, and other	3,155	394,857	398,012
	<u>\$708,536</u>	<u>\$809,488</u>	<u>\$1,518,024</u>

**5. CHANGES IN CAPITAL ASSETS**

A summary of changes in capital assets is as follows:

	<u>Balance July 1, 2001</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2002</u>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$12,488,053			\$12,488,053
Construction in progress	670,756	\$2,630,505	\$185,873	3,115,388
Total capital assets, not being depreciated	<u>13,158,809</u>	<u>2,630,505</u>	<u>185,873</u>	<u>15,603,441</u>
Capital assets, being depreciated:				
Buildings	7,878,925			7,878,925
Improvements other than buildings	10,832,135			10,832,135
Equipment	9,596,307	530,882	2,085,500	8,041,689
Infrastructure	121,378,578	306,003		121,684,581
Total capital assets, being depreciated	<u>149,685,945</u>	<u>836,885</u>	<u>2,085,500</u>	<u>148,437,330</u>
Less accumulated depreciation for:				
Buildings	4,155,263	234,352		4,389,615
Improvements other than buildings	7,215,981	188,218		7,404,199
Equipment	6,144,208	396,104		6,540,312
Infrastructure	14,483,539	3,087,765		17,571,304
Total accumulated depreciation	<u>31,998,991</u>	<u>3,906,439</u>	<u>NONE</u>	<u>35,905,430</u>
Total capital assets, being depreciated, net	<u>117,686,954</u>	<u>(3,069,554)</u>	<u>2,085,500</u>	<u>112,531,900</u>
Governmental activities capital assets, net	<u>\$130,845,763</u>	<u>(\$439,049)</u>	<u>\$2,271,373</u>	<u>\$128,135,341</u>

**ORLEANS LEVEE DISTRICT**  
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Notes to the Financial Statements (Continued)

	<u>Balance</u> <u>July 1, 2001</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2002</u>
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	\$19,338,814			\$19,338,814
Construction in progress	134,941	\$273,318	\$256,279	151,980
Total capital assets, not being depreciated	<u>19,473,755</u>	<u>273,318</u>	<u>256,279</u>	<u>19,490,794</u>
Capital assets, being depreciated:				
Buildings	9,471,030			9,471,030
Improvements other than buildings	75,791,964	2,927,581		78,719,545
Equipment	1,424,660	15,508	272,777	1,167,391
Total capital assets, being depreciated	<u>86,687,654</u>	<u>2,943,089</u>	<u>272,777</u>	<u>89,357,966</u>
Less accumulated depreciation for:				
Buildings	6,703,254	200,443		6,903,697
Improvements other than buildings	44,322,391	2,750,067		47,072,458
Equipment	1,053,604	59,452	236,167	876,889
Total accumulated depreciation	<u>52,079,249</u>	<u>3,009,962</u>	<u>236,167</u>	<u>54,853,044</u>
Total capital assets, being depreciated, net	<u>34,608,405</u>	<u>(66,873)</u>	<u>36,610</u>	<u>34,504,922</u>
Business-type activities capital assets, net	<u>\$54,082,160</u>	<u>\$206,445</u>	<u>\$292,889</u>	<u>\$53,995,716</u>

Depreciation expense for the year ended June 30, 2002, was charged to the following government functions:

Governmental activities - flood and drainage protection	<u>\$3,891,383</u>
Business-type activities:	
Community Center	\$81,403
Marinas	1,527,068
Airport	<u>1,399,716</u>
Total depreciation expense - business-type activities	<u>\$3,008,187</u>

**6. RETIREMENT SYSTEM**

Substantially all employees of the levee district are members of the Louisiana State Employees Retirement System (System), a cost sharing, multiple-employer, defined benefit pension plan. The System is a statewide public employee retirement system (PERS) for the benefit of state employees, which is administered and controlled by a separate board of trustees.

All full-time levee district employees are eligible to participate in the System. Benefits vest with 10 years of service. At retirement age, employees are entitled to annual benefits equal to \$300 plus 2.5% of their highest consecutive 36 months' average salary multiplied by their years of credited service. Vested employees are entitled to a retirement benefit, payable monthly for life at (a) any age with 30 years of service, (b) age 55 with 25 years of service, or (c) age 60 with 10

**ORLEANS LEVEE DISTRICT**  
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Notes to the Financial Statements (Continued)

years of service. In addition, vested employees have the option of reduced benefits at any age with 20 years of service. The System also provides death and disability benefits. Benefits are established or amended by state statute. The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the State Employees Retirement System, Post Office Box 44213, Baton Rouge, Louisiana 70804-4213, or by calling (225) 922-0608 or (800) 256-3000.

Members are required by state statute to contribute 7.5% of gross salary, and the levee district is required to contribute at an actuarially determined rate as required by R.S. 11:102. The contribution rate for the fiscal year ended June 30, 2002, remained at 13% of annual covered payroll, compared to 13% and 12.3% required in fiscal years ended June 30, 2001, and 2000, respectively. The levee district contributions to the System for the years ending June 30, 2002, 2001, and 2000, were \$870,570, \$888,538, and \$863,040, respectively, equal to the required contributions for each year.

**7. WORKERS' COMPENSATION INSURANCE PROGRAM**

Effective July 1, 1998, the levee district discontinued participation in its workers' compensation self-insurance plan and obtained coverage from the Louisiana Workers' Compensation Company. All open claims as of June 30, 1998, have been paid from the self-insurance plan. At June 30, 2002, all claims have been closed. However, all eligible medical expenses will continue to be paid until finalized. The total cost of eligible run over claims for the 2002 fiscal year was \$2,654. The levee district has a designation of fund balance in the General Fund for the self-insurance workers' compensation plan of \$100,000 (note 18) at June 30, 2002.

The levee district renewed its agreement to obtain coverage from the Louisiana Workers' Compensation Company for a period commencing on July 1, 2001, and ending on June 30, 2002. The workers' compensation program is a paid-loss retrospective program. For the fiscal year ended June 30, 2002, the levee district paid a total premium of \$297,550 to the Louisiana Workers' Compensation Company. The levee district's standard premium was based on the 2001-2002 proposed payroll of \$8,598,479. The final premium is based on actual payroll and actual losses during the policy term. Losses are calculated by a loss conversion factor. Six months after policy expiration (18 months after inception, for a one-year retro plan), the first *retrospective rating calculation is made. The retro formula is applied, using the insured's actual losses during the policy period. The retrospective rating premium is then compared with the premium the insured has already paid, and the appropriate adjustment to the premium is made (a refund to the insured or additional premium due to the insurer). Annually, the costs of the program are budgeted based on advisement by the incumbent insurance agent.*

**ORLEANS LEVEE DISTRICT**  
**STATE OF LOUISIANA**  
Notes to the Financial Statements (Continued)

**8. POSTEMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS**

Substantially all levee district employees become eligible for postemployment health care, dental, and life insurance benefits if they reach normal retirement age while working for the levee district. These benefits for retirees and similar benefits for active employees are provided through an insurance company whose premiums are paid jointly by the employee and the levee district. For 2002, the cost of providing those benefits for the 87 retirees totaled \$278,109.

**9. COMPENSATED ABSENCES**

As of June 30, 2002, employees of the levee district have accumulated and vested \$958,697 of employee leave benefits, which was computed in accordance with GASB Codification Section C60. The current portion estimated to be paid within the next fiscal year is \$34,866 for governmental activities and \$4,851 for business-type activities. The noncurrent amount of \$757,978 is recorded for governmental activities and \$161,002 for business-type activities.

**10. LESSOR OPERATING LEASES**

The Orleans Levee District leases boat slips, boathouses, and building space to certain parties under operating leases. At June 30, 2002, the total cost of the land, buildings, and improvements leased to others by the Enterprise Funds is \$107,529,389, with \$53,976,154 of related accumulated depreciation. Future minimum rental payments to be received under these operating leases are as follows:

Fiscal year ending June 30:	
2003	\$8,396,130
2004	8,431,972
2005	8,502,126
2006	8,448,636
2007	<u>8,063,634</u>
Total	<u><u>\$41,842,498</u></u>

**11. RESTRICTED ASSETS**

Restricted assets in the South Shore Harbor Marina Fund at June 30, 2002, reflected at \$938,950 on Statement A, consist of cash with fiscal agent.

**ORLEANS LEVEE DISTRICT**  
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Notes to the Financial Statements (Continued)

**12. PAYABLES**

At June 30, 2002, the levee district has payables totaling \$976,573 as follows:

Class of Payables	Governmental Funds			Total Governmental Payables	Total Business-type Payables	Total
	General	Debt Service	Capital Projects			
Accounts payable	\$644,307	\$620	\$399	\$645,326	\$175,261	\$820,587
Salaries payable	125,190			125,190	24,074	149,264
Payroll deductions and employer's payable	4,062			4,062	2,660	6,722
<b>Total</b>	<b>\$773,559</b>	<b>\$620</b>	<b>\$399</b>	<b>\$774,578</b>	<b>\$201,995</b>	<b>\$976,573</b>

**13. CHANGES IN LONG-TERM OBLIGATIONS**

The following is a summary of the long-term obligation transactions for the year ended June 30, 2002:

	Long-Term Obligations Payable at July 1, 2001	Additions	Deductions and Retirement	Long-Term Obligations Payable at June 30, 2002	Due Within One Year
<b>Governmental activities:</b>					
General obligation bonds	\$200,000		(\$65,000)	\$135,000	\$65,000
Capital Recovery Funding Bonds	24,155,000			24,155,000	
Levee Improvement:					
Fixed Rate Refunding Bonds, Series 1986	48,255,000		(2,080,000)	46,175,000	2,230,000
Variable Rate Refunding Bonds, Series 1996	5,710,000		(305,000)	5,405,000	315,000
Total governmental activity bonds payable	78,320,000	NONE	(2,450,000)	75,870,000	2,610,000
Compensated absences	786,686	\$6,158	NONE	792,844	34,866
Judgments	18,171,727	NONE	(\$371,532)	17,800,195	NONE
<b>Governmental activity long-term liabilities</b>	<b>\$97,278,413</b>	<b>\$6,158</b>	<b>(\$2,821,532)</b>	<b>\$94,463,039</b>	<b>\$2,644,866</b>
<b>Business-type activities:</b>					
Public Improvement:					
Fixed Rate Refunding Bonds, Series 1986	\$29,845,000		(\$1,195,000)	\$28,650,000	\$1,275,000
Variable Rate Refunding Bonds, Series 1996	2,385,000		(115,000)	2,270,000	120,000
Total business-type activity bonds	32,230,000	NONE	(1,310,000)	30,920,000	1,395,000
Less:					
Unamortized discounts	(291,378)		20,813	(270,565)	
Unamortized loss on refunding	(69,111)		8,153	(60,958)	
Total business-type activity bonds payable	31,869,511	NONE	(1,281,034)	30,588,477	1,395,000
Compensated absences	173,495	NONE	(7,642)	165,853	4,851
<b>Business-type activity long-term liabilities</b>	<b>\$32,043,006</b>	<b>NONE</b>	<b>(\$1,288,676)</b>	<b>\$30,754,330</b>	<b>\$1,395,851</b>

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Notes to the Financial Statements (Continued)

The additions and reductions to compensated absences during the 2001-2002 fiscal year represent the net change during the year because the additions and deductions could not readily be determined.

The deductions in judgments represent litigation payments made during fiscal year 2001-2002. Litigation is further described in note 20.

General obligation bonds, demand bonds, and refunding bonds are comprised of the following individual issues:

**A. GENERAL OBLIGATION BONDS**

General obligation bonds are secured by the full faith, credit, and resources of the Orleans Levee District. General obligation bonds payable at the beginning of the year were \$200,000. Payments of \$65,000 reduced this amount to \$135,000 at June 30, 2002. This is the outstanding balance of the \$1,000,000 Public Improvement Bonds Series 1973-A issued to improve the New Orleans Lakefront Airport. The bonds are due in future installments of \$65,000 to \$70,000 beginning October 1, 2002, through October 1, 2003. Interest to maturity amounts to \$7,425 at a rate of 5.4% through October 1, 2003. This obligation was not transferred to the New Orleans Lakefront Airport Enterprise Fund because the debt service will continue to be financed by resources of the General Fund.

**B. CAPITAL RECOVERY FUNDING BONDS**

On March 4, 1988, the Orleans Levee District issued \$25,000,000 of Capital Recovery Funding Bonds, which are secured on a junior lien basis, subject to certain prior claims as provided by the indenture and pledge of (1) the 5.46 mill ad valorem tax, (2) the 6.55 mill ad valorem tax, and (3) other security as provided in the indenture. The bonds bear interest at a rate that cannot be less than 3.5% or more than 13%. These bonds were issued to reimburse the levee district for prior capital expenditures. Capital Recovery Funding Bonds payable at the beginning of the year were \$24,155,000. The bonds are due in one future annual installment of \$24,155,000 on October 1, 2005. On October 15, 2005, the letter of credit described in note 14 will expire and the levee board has to refinance, restructure, or pay off the debt. The interest to maturity amounts to \$2,747,631 at a rate of 3.5% through October 1, 2005.

**C. LEVEE IMPROVEMENT FIXED RATE BONDS, SERIES 1986**

On August 28, 1986, the levee district issued \$64,920,000 in Levee Improvement Variable Rate Demand Bonds, which were issued to advance refund \$53,111,097 of outstanding Levee Improvement Refunding Bonds, Series 1985. On December 1, 1995, the levee district converted \$56,780,000 of the Levee Improvement Variable Rate Demand Bonds to a fixed interest rate of 5.95%. Levee Improvement Fixed Rate Refunding Bonds payable at the beginning of the year were \$48,255,000. Payments of

**ORLEANS LEVEE DISTRICT**  
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Notes to the Financial Statements (Continued)

\$2,080,000 reduced this amount to \$46,175,000 at June 30, 2002. The Levee Improvement Fixed Rate Refunding Bonds, Series 1986, are secured by the 6.55 mill ad valorem tax and the scheduled payment of principal and interest are guaranteed under insurance policies issued by Financial Security Assurance, Inc. The interest to maturity amounts to \$20,602,321 at a rate of 5.95% through November 1, 2014. The bonds are due in future annual installments of \$2,230,000 to \$5,295,000, beginning November 1, 2002, through November 1, 2014.

**D. LEVEE IMPROVEMENT VARIABLE RATE  
REFUNDING BONDS, SERIES 1996**

On October 29, 1996, the levee district issued \$6,775,000 in Levee Improvement Variable Rate Refunding Bonds, Series 1996. The proceeds of this issue, along with other funds, were used to current refund the remaining Levee Improvement Fixed Rate Refunding Bonds, Series 1987 on November 1, 1996. The Levee Improvement Variable Rate Refunding Bonds payable at the beginning of the year were \$5,710,000. Payments of \$305,000 reduced the amount to \$5,405,000 at June 30, 2002. The Levee Improvement Variable Rate Refunding Bonds, Series 1996, are secured by a junior claim on the 6.55 mill ad valorem tax. These bonds are due in future annual installments of \$315,000 to \$575,000 beginning November 1, 2002, through November 1, 2014. The bonds, which have a maximum rate of 14%, carry an initial rate of interest of 5.4% through November 1, 2003. The interest rates will be reset on November 1, 2003, and November 1, 2010, based on the same formula that yielded 5.4% for the initial period. The interest to maturity, calculated using 5.4% for the initial period, amounts to \$2,428,795 through November 1, 2014.

**E. PUBLIC IMPROVEMENT FIXED RATE  
BONDS, SERIES 1986**

On August 29, 1986, the levee district issued \$36,225,000 in Public Improvement Variable Rate Demand Bonds, which were issued to advance refund \$29,320,000 of outstanding Marina Refunding Bonds, Series 1985. On December 1, 1995, the levee district converted \$34,780,000 of the Public Improvement Variable Rate Demand Bonds to a fixed interest rate of 5.95%. Public Improvement Fixed Rate Refunding Bonds payable at the beginning of the year were \$29,845,000. Payments of \$1,195,000 reduced this amount to \$28,650,000 at June 30, 2002. The Public Improvement Fixed Rate Bonds, Series 1986, are secured by the 5.46 mill ad valorem tax, and the scheduled payment of principal and interest are guaranteed under insurance policies issued by Financial Security Assurance, Inc. The interest to maturity amounts to \$13,773,954 at a rate of 5.95% through November 1, 2015. The bonds are due in future annual installments of \$1,275,000 to \$3,065,000, from November 1, 2002, through November 1, 2015.

**ORLEANS LEVEE DISTRICT  
STATE OF LOUISIANA**  
Notes to the Financial Statements (Continued)

**F. PUBLIC IMPROVEMENT VARIABLE RATE  
REFUNDING BONDS, SERIES 1996**

On October 29, 1996, the levee district issued \$2,795,000 in Public Improvement Variable Rate Refunding Bonds. The proceeds of this issue, along with other funds, were used to currently refund the remaining Public Improvement Fixed Rate Refunding Bonds, Series 1987, on November 1, 1996. Public Improvement Variable Rate Refunding Bonds payable at the beginning of the year were \$2,385,000. Payments of \$115,000 reduced the amount to \$2,270,000 at June 30, 2002. The Public Improvement Variable Rate Refunding Bonds, Series 1996, are secured by a junior claim on the 5.46 mill ad valorem tax. These bonds are due in future annual installments of \$120,000 to \$230,000 beginning November 1, 2002, through November 1, 2015. The bonds, which have a maximum rate of 14%, carry an initial rate of interest of 5.4% through November 1, 2003. The interest rates will be reset on November 1, 2003, and November 1, 2010, based on the same formula that yielded 5.4% for the initial period. The interest to maturity, calculated using 5.4% for the initial period, and an estimated 6.4% for the subsequent periods, amounts to \$1,109,230 through November 1, 2015.

Debt service requirements on long-term debt at June 30, 2002, are as follows:

**Governmental Activities**

<u>Year Ending June 30,</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total</u>
2003	\$2,610,000	\$3,815,395	\$6,425,395
2004	2,790,000	3,680,679	6,470,679
2005	2,880,000	3,536,176	6,416,176
2006	27,245,000	2,723,037	29,968,037
2007	3,310,000	2,319,729	5,629,729
2008-2012	20,620,000	8,188,149	28,808,149
2013-2017	16,415,000	1,523,007	17,938,007
Total	<u>\$75,870,000</u>	<u>\$25,786,172</u>	<u>\$101,656,172</u>

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Notes to the Financial Statements (Continued)

**Business-Type Activities**

<u>Year Ending June 30,</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total</u>
2003	\$1,395,000	\$1,786,084	\$3,181,084
2004	1,495,000	1,710,894	3,205,894
2005	1,575,000	1,629,749	3,204,749
2006	1,685,000	1,532,212	3,217,212
2007	1,800,000	1,427,949	3,227,949
2008-2012	11,035,000	5,308,232	16,343,232
2013-2017	11,935,000	1,488,064	13,423,064
Total	<u>\$30,920,000</u>	<u>\$14,883,184</u>	<u>\$45,803,184</u>

**14. DEMAND BOND ISSUE**

The levee district has one outstanding demand bond issue (Capital Recovery Funding Bonds) as of June 30, 2002, which is subject to purchase on the demand of the holder at a price equal to principal plus accrued interest on seven days' notice to the paying agent and remarketing agent. The remarketing agent is authorized to use its best efforts to sell the repurchased bonds at a price equal to 100% of the principal amount plus accrued interest, if any. The levee district is required to pay the marketing agent a fee on a quarterly basis equal to one-eighth of 1% (.00125) of the average principal amount of bonds outstanding.

An irrevocable direct-pay letter of credit agreement between the levee district and the Mizuho Corporate Bank for the Capital Recovery Funding Bonds has been issued to the paying agent, Bank of New York, for \$25,274,445. The amount is equal to the aggregate principal amount of the bonds plus accrued interest (on the date of the bond sale) reduced by the principal payments to date. The irrevocable letter of credit would have expired on October 15, 1998, but the letter of credit was extended to October 15, 2005. The extension reduced the stated amount of the letter of credit to \$25,236,608 and reduced the annual letter of credit fee of .35% to .275% that the levee district must pay. The letter of credit provides for the financing of amounts drawn on the letters of credit at the bank rate plus 2%.

**15. OUTSTANDING DEFEASED DEBT**

In prior years, the levee district defeased certain general obligation revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts and the defeased bonds are not included in the levee district's financial statements. As of June 30, 2002, the following outstanding bonds are considered defeased:

**ORLEANS LEVEE DISTRICT  
STATE OF LOUISIANA**  
Notes to the Financial Statements (Continued)

<u>Bond Issues</u>	<u>Original Issue</u>		<u>Outstanding at June 30, 2002</u>
	<u>Refunded Date</u>	<u>Amount Defeased</u>	
1984 Levee Improvement - Serial Bonds	May 1985	<u>\$16,610,000</u>	<u>NONE</u>

**16. RESTATEMENT OF BEGINNING FUND  
BALANCES TO BEGINNING NET ASSETS**

The beginning net assets as reflected on Statement B has been restated to reflect the implementation of GASB Statement No. 34. The following schedule reconciles June 30, 2001, fund balance/retained earnings as previously reported to beginning net assets as restated.

	<u>Governmental Activities</u>				<u>Total Governmental Activities</u>	<u>Business-type Activities - Enterprise Funds</u>	<u>Total</u>
	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>General Improvement Fund</u>	<u>Special Levee Improvement Fund</u>			
Fund balance/retained earnings at June 30, 2001	\$12,181,672	\$24,125,561	\$2,425,563	\$15,716,317	\$54,449,113	\$27,561,884	\$82,010,997
Capitalization of assets, net	130,845,763				130,845,763		130,845,763
Long-term debt	(97,278,413)				(97,278,413)		(97,278,413)
Revenue and expense accruals	199,104	(529,919)		209,986	(120,829)		(120,829)
Net assets at June 30, 2001	<u>\$45,948,126</u>	<u>\$23,595,642</u>	<u>\$2,425,563</u>	<u>\$15,926,303</u>	<u>\$87,895,634</u>	<u>\$27,561,884</u>	<u>\$115,457,518</u>

**17. FUND BALANCE RESERVES**

The following is a summary of fund balance reserves at June 30, 2002:

	<u>Governmental Activities</u>				<u>Total</u>
	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>General Improvement Fund</u>	<u>Special Levee Improvement Fund</u>	
Reserved for:					
Encumbrances	\$45,455		\$153,584	\$2,856,021	\$3,055,060
Debt service		\$24,033,157			24,033,157
Bohemia Spillway Escrow	639,356				639,356
Total	<u>\$684,811</u>	<u>\$24,033,157</u>	<u>\$153,584</u>	<u>\$2,856,021</u>	<u>\$27,727,573</u>

**ORLEANS LEVEE DISTRICT**  
**STATE OF LOUISIANA**  
Notes to the Financial Statements (Continued)

**18. FUND BALANCE - UNRESERVED - DESIGNATED**

The Orleans Levee District has designated a portion of its General Fund balance for future expenditures. A description of these designations follows:

Major construction equipment replacement - funds set aside for the purchase of equipment.

Air conditioning unit replacement - funds set aside for replacement of air conditioning unit.

Hurricane cleanup and recovery - funds set aside for the cleanup of hurricane damages to levee district property.

Workers' compensation - funds set aside for workers' compensation claims as part of the Orleans Levee District self-insurance plan.

Capital assets - funds set aside for purchase of capital assets.

A summary of the designations for the year ended June 30, 2002, follows:

Major construction equipment replacement	\$100,376
Air conditioning unit replacement	18,239
Hurricane cleanup and recovery	100,000
Workers' compensation	100,000
Capital assets	<u>156,356</u>
Total	<u>\$474,971</u>

**19. DUE FROM/TO OTHER FUNDS**

The balances of due from/to other funds detailed by individual fund at June 30, 2002, are as follows:

**ORLEANS LEVEE DISTRICT**  
**STATE OF LOUISIANA**  
Notes to the Financial Statements (Continued)

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
<b>Governmental Funds:</b>		
<b>General Fund:</b>		
Debt Service Fund	\$2,416,172	
<b>Capital Project Funds:</b>		
Special Levee Improvement		\$1,896,971
General Improvement		2,473,422
<b>Enterprise Funds:</b>		
Lake Vista Community Center		1,804,271
Orleans Marina		11,991,850
South Shore Harbor Marina		7,496,755
New Orleans Lakefront Airport	13,688,373	
Total	<u>16,104,545</u>	<u>25,663,269</u>
 Debt Service Fund - General Fund	 <u>NONE</u>	 <u>2,416,172</u>
 <b>Capital Projects Funds:</b>		
Special Levee Improvement - General Fund	1,896,971	
General Improvement - General Fund	2,473,422	
Total	<u>4,370,393</u>	<u>NONE</u>
<b>Total Governmental Funds Due From/To Other Funds</b>	<u>20,474,938</u>	<u>28,079,441</u>
 <b>Enterprise Funds:</b>		
Lake Vista Community Center - General Fund	1,804,271	
Orleans Marina - General Fund	11,991,850	
South Shore Harbor Marina - General Fund	7,496,755	
New Orleans Lakefront Airport - General Fund		<u>13,688,373</u>
 <b>Total Enterprise Funds Due From/To Other Funds</b>	<u>21,292,876</u>	<u>13,688,373</u>
 <b>Total Due From/To Other Funds</b>	<u><u>\$41,767,814</u></u>	<u><u>\$41,767,814</u></u>

The interfund due from/to other funds results from the cash management system used by the levee district where all cash transactions are initially recorded in the General Fund.

**20. LITIGATION AND CLAIMS**

Numerous lawsuits have been filed by individuals and acts have been passed by the Louisiana Legislature concerning the return of certain expropriated properties in the Bohemia Spillway and the payment of royalties and rents derived from these properties to the original owners of the properties. Act 233 of 1984, as amended by Acts 819 of 1985, 847 of 1992, 1364 of 1997, and 1378 of 1999, requires the Board of Commissioners of the Orleans Levee District upon receipt of the names of certified claimants from the Secretary of the Louisiana Department of Natural Resources (DNR) to return the ownership of properties in the Bohemia Spillway in the parish of Plaquemines to the owners or their successors from whom the property was acquired by expropriation or by purchase under threat of expropriation. At this date, the levee district is

**ORLEANS LEVEE DISTRICT**  
**STATE OF LOUISIANA**  
Notes to the Financial Statements (Continued)

maintaining a complete accounting of all royalty revenues received as required by the act. The value of Bohemia Spillway properties included in the capital assets is \$133,244.

Before the effective date of Act 1364 of 1997 and 1378 of 1999, DNR certified claimants who had an interest in 164 of 220 tracts of land in the Bohemia Spillway for the return of the property. All property claims certified by DNR as of October 1, 2000, have been returned. All claims certified since October 1, 2000, are being processed for the return to claimants. Upon the return of the property, the levee district is required to return the royalties, et cetera, collected since June 29, 1984, until the date of transfer.

Judgments were rendered in Vogt & Edgecombe v. Board of Commissioners of the Orleans Levee District, Case No. 94-5084 c/w 94-5089, and in Haspel & Davis v. Board of Commissioners of the Orleans Levee District, Case No. 31-357, in favor of the plaintiffs awarding the sum of \$1,831,528 and \$18,767,145, respectively, plus interest from the date of judicial demand until paid, for the sum of revenues paid to the levee district of its share of royalties under mineral leases in the Bohemia Spillway. As of August 15, 2000, all claims under \$10,000 in Vogt & Edgecombe were paid in the full sum of \$108,683. As of August 15, 2000, all claims under \$10,000 in Haspel & Davis were paid into the registry of the court, for the benefit of all claimants, in the full sum of \$1,968,264. As of December 11, 2000, an additional sum of \$350,000, as agreed fixed costs in Haspel & Davis, was paid into the registry of the court. As of August 15, 2001, an additional sum of \$371,532 was paid on the Haspel & Davis judgment. As of June 30, 2002, unpaid final judgments in Vogt & Edgecombe and Haspel & Davis totaled \$1,722,845 and \$16,077,350, respectively, plus interest from the date of judgments. There is pending litigation in Vogt & Edgecombe with judgment on appeal by the plaintiffs, from decisions of the trial court that plaintiffs could not force the payment of their judgment by mandamus or through writ of seizure. As of June 30, 2002, writs to the Louisiana Supreme Court have been filed by the Vogt & Edgecombe judgment creditors from a loss in the Louisiana Fourth Circuit of Appeals. All judgments in the Bohemia Spillway matter will be paid if and when funds become available and when funds are appropriated therefor.

At June 30, 2002, the levee district is a defendant or co-defendant in 70 lawsuits, including 22 cases related to the Bohemia Spillway, claiming damages, possession of property, and contract disputes. In addition, the levee district is involved in several civil service actions. The levee district's legal counsel has reviewed all claims and lawsuits to evaluate the likelihood of an unfavorable outcome to the levee district and has attempted to arrive at an estimate of the amount of potential loss. For the lawsuits involving claims or damages not related to the Bohemia Spillway, the levee district's legal counsel does not anticipate a potential loss to the levee district resulting from these lawsuits.

As reflected in Statement D, expenditures for claims and litigation totaled \$438,976 for the year ended June 30, 2002. At June 30, 2002, liabilities associated with claims and judgments total \$17,800,195 as shown on Statement A.

**ORLEANS LEVEE DISTRICT**  
**STATE OF LOUISIANA**  
Notes to the Financial Statements (Continued)

**21. LEVEE DISTRICT TAXES**

Article 6, Section 39 of the 1974 Louisiana Constitution provides that the levee district may levy an annual tax not to exceed 5.46 mills to construct and maintain levees, levee drainage, flood protection, hurricane flood protection, and all other purposes incidental thereto. If the levee district needs to raise additional funds in excess of the amount authorized by the constitution, the taxes in excess of 5.46 mills must be approved by a majority vote of the electors of Orleans Parish.

By general election held in the City of New Orleans on November 19, 1983, the voters of the parish of Orleans elected to continue a 6.55 mill ad valorem tax on assessed property for a period of 30 years (1985-2015) to finance hurricane and flood protection projects and to fund the retirement of levee improvement bonds. The following is a summary of authorized and levied ad valorem taxes:

	<u>Authorized Millage</u>	<u>Levied Millage</u>
Parishwide taxes:		
Constitutional	5.46	5.46
Levee improvements	6.55	6.55
General maintenance	0.75	0.75

The rates authorized and levied have been adjusted because of reassessment of property as provided in Article 7, Section 23 of the 1974 Louisiana Constitution. By a special election held with the district on March 5, 1974, the voters of the parish of Orleans elected to authorize a "General Maintenance" tax to finance the general maintenance expenditures of the Orleans Levee District, at the rate of three quarters (3/4) of a mill to begin in 1986, and continue thereafter. By a vote on a resolution on December 1, 1999, the Orleans Levee Board voted to reaffirm the .75 millage pursuant to Article 7, Section 23 (B) of the Constitution of 1974.

At June 30, 2002, approximately \$1,060,650 of property taxes have been paid under protest and are, therefore, not recorded in the financial statements. The resolution of these protests is not determinable at this time.

**22. FEDERAL GRANTS**

The Orleans Levee District received federal funds from the Federal Emergency Management Assistance Agency under the Public Assistance Grants Program (CFDA 83.544). The levee district administers this program as a subrecipient with funds passed through the Department of Military Affairs. During the year ended June 30, 2002, the levee district expended federal funds totaling \$1,477,812 under this program.

**ORLEANS LEVEE DISTRICT**  
**STATE OF LOUISIANA**  
Notes to the Financial Statements (Continued)

In addition, the Orleans Levee District received federal funds from the Federal Aviation Administration under the Airport Improvement Grants Program (CFDA 20.106). This grant provides for the airport to resurface the runway and taxiway and install a security access control system around the perimeter of the airport. During the year ended June 30, 2002, the levee district expended federal funds totaling \$237,284 under this program.

**23. OPERATING TRANSFERS IN/OUT**

The following is a summary of the operating transfers in and out for the year ended June 30, 2002:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Fund:		
General Fund:		
Debt Service		\$74,545
Capital Project Funds:		
General Improvement		213,900
Special Levee Improvement	\$1,036,000	
Enterprise Funds:		
Lake Vista Community Center		2,500
Orleans Marina		80,000
New Orleans Lakefront Airport		140,000
Total General Fund Transfers	<u>1,036,000</u>	<u>510,945</u>
Debt Service Fund:		
General Fund	74,545	
Special Levee Improvement Capital Projects Fund	5,494,398	
Total Debt Service Fund Transfers	<u>5,568,943</u>	<u>NONE</u>
Capital Projects Fund -		
General Improvement:		
General Fund	213,900	
Enterprise Funds:		
Lake Vista Community Center		5,000
Orleans Marina		119,600
South Shore Harbor Marina		7,500
New Orleans Lakefront Airport		62,900

**ORLEANS LEVEE DISTRICT**  
**STATE OF LOUISIANA**  
Notes to the Financial Statements (Continued)

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Fund: (Cont.)		
Special Levee Improvement:		
General Fund		\$1,036,000
Debt Service Fund		5,494,398
Total Capital Projects Fund Transfers	<u>\$213,900</u>	<u>6,725,398</u>
 Total Governmental Fund Transfers	 <u>6,818,843</u>	 <u>7,236,343</u>
 Proprietary Funds:		
Lake Vista Community Center	7,500	
Orleans Marina	199,600	4,765
South Shore Harbor Marina	12,265	
Lakefront Airport	202,900	
Total Proprietary Fund Transfers	<u>422,265</u>	<u>4,765</u>
 Total Transfers	 <u><u>\$7,241,108</u></u>	 <u><u>\$7,241,108</u></u>

**24. IN-KIND CONTRIBUTIONS**

The United States Army Corps of Engineers (USACE) and the levee districts in southeastern Louisiana, including Orleans Levee District, participate in several joint flood protection projects relative to the Lake Pontchartrain and Vicinity Hurricane Protection Plan (High Level Plan). Under the High Level Plan, the levee district has expended bond and ad valorem tax funds over (approximately) the last 16 years for USACE qualified projects and earned credits for such expenditures to be applied against future flood protection projects.

The United States Congress has approved projects totaling \$745,000,000 for the 300-year Lake Pontchartrain and Vicinity Hurricane Protection Plan. The estimated amount per the USACE for Orleans Parish is \$372,617,016. The USACE will expend 70% and the Orleans Levee District will expend 30%. The estimated expenditures at June 30, 2002, are \$280,045,000 for the USACE. The 30% participation by the Orleans Levee District will not cause direct cash outflows. Three major projects on the High Level Plan are ongoing in Orleans Parish: the Orleans Avenue Canal, London Avenue Canal, and 17th Street Canal. These major projects should be completed in 2005.

**25. PROPOSED LEASE OF AIRPORT**

On March 27, 2002 by Resolution No. S1-032702, the board approved the Agreement for the Lease, Management, Operation, Commercial Enhancement and Development of the New Orleans Lakefront Airport between the Board of Commissioners of the Orleans Levee District and American Airports Lakefront, L.L.C., previously approved by the Special Airport Committee of the Orleans Levee Board. The board also authorized the President of the Board of Commissioners of the Orleans Levee District to sign and file with the Federal Aviation

**ORLEANS LEVEE DISTRICT**  
**STATE OF LOUISIANA**  
Notes to the Financial Statements (Concluded)

Administration (FAA) the Final Application for Exemptions under the Federal Airport Privatization Pilot Program, for the privatization of the New Orleans Lakefront Airport. The Final Application for Exemptions under the Federal Airport Privatization Pilot Program, for the privatization of the New Orleans Lakefront Airport was submitted to the FAA on April 30, 2002, and is currently under review.

**ORLEANS LEVEE DISTRICT  
STATE OF LOUISIANA  
SUPPLEMENTAL INFORMATION SCHEDULES  
For the Year Ended June 30, 2002**

**PER DIEM PAID BOARD MEMBERS**

Schedule 1, which presents of per diem paid board members, was prepared in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature.

Per diem payments are authorized by Louisiana Revised Statute 38:308 and are included in the personal services expenditures of the General Fund. Board members are paid \$75 per day, to a maximum of 36 days per year, for board meetings and official business. During the period of an emergency as declared and determined by the governor, the levee district shall be authorized to hold as many meetings or emergency activities as the board deems necessary, and the members shall be paid per diem for such meetings and activities.

**ANNUAL FISCAL REPORT TO THE OFFICE OF THE GOVERNOR,  
DIVISION OF ADMINISTRATION,  
OFFICE OF STATEWIDE REPORTING AND ACCOUNTING POLICY**

Schedule 2 contains the annual fiscal report, which presents the financial position of the Orleans Levee District, as of June 30, 2002, and the results of its operations for the year then ended. This report contains information in the format requested by the Office of Statewide Reporting and Accounting Policy for consolidation into the Louisiana Comprehensive Annual Financial Report.

**ORLEANS LEVEE DISTRICT  
STATE OF LOUISIANA**

**Schedule of Per Diem Paid Board Members  
For the Year Ended June 30, 2002  
(With Comparative Totals for the Year  
Ended June 30, 2001)**

	<u>JUNE 30,</u>	
	<u>2002</u>	<u>2001</u>
Kathleen Cain (Resigned October 16, 2001)	NONE	NONE
Troy A. Carter (Resigned December 1, 2000)	NONE	\$375
Thomas B. Coleman (Appointed effective June 1, 2002)	NONE	NONE
Marlin Gusman	\$1,875	1,350
Patricia W. Harris	1,800	1,500
James P. Huey, President	2,100	1,575
Victor Landry	2,700	2,700
James Livingston	NONE	NONE
Robert Lupo	NONE	NONE
Cynthia Willard-Lewis	1,500	525
Margaret H. Wilson (Resigned May 1, 2002)	1,050	NONE
	<u>11,025</u>	<u>8,025</u>
Total	<u>\$11,025</u>	<u>\$8,025</u>

ORLEANS LEVEE DISTRICT  
STATE OF LOUISIANA  
Annual Fiscal Report  
June 30, 2002

C O N T E N T S

AFFIDAVIT

Statements

MD&A

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STATE OF LOUISIANA  
Annual Financial Statement  
Fiscal Year Ending June 30, 2002

BOARD OF COMMISSIONERS OF THE ORLEANS LEVEE DISTRICT

Division of Administration  
Office of Statewide Reporting  
and Accounting Policy  
Post Office Box 94095  
Baton Rouge, Louisiana 70804-9095

Office of Legislative Auditor  
Post Office Box 94397  
Baton Rouge, Louisiana 70804-9095

AFFIDAVIT

Personally came and appeared before the undersigned authority, Mary E. Herbert (Name),  
Comptroller (Title) of Board of Commissioners of the Orleans Levee District (Agency) who duly sworn,  
deposes and says, that the financial statements herewith given, present fairly the financial position of  
Board of Commissioners of the Orleans Levee District (agency) at June 30, 2002 and the results of  
operations for the year then ended in accordance with policies and practices established by the  
Division of Administration or in accordance with Generally Accepted Accounting Principles as  
prescribed by the Governmental Accounting Standards Board. Sworn and subscribed before me this

9th day of September, 2002.

  
Signature of Agency Official

  
NOTARY PUBLIC

Prepared by: Mary E. Herbert  
Title: Comptroller  
Telephone No.: (504) 243-4068  
Date: September 9, 2002

**GARY G. BENOIT**  
Notary Public, Parish of Orleans, State of Louisiana  
My commission is issued for life.

**ORLEANS LEVEE DISTRICT  
STATE OF LOUISIANA  
Management's Discussion and Analysis  
As of June 30, 2002**

The Management's Discussion and Analysis of the Orleans Levee District's financial performance presents a narrative overview and analysis of Orleans Levee District's financial activities for the year ended June 30, 2002. This document focuses on the current year's activities, resulting changes, and currently known facts.

**Financial Highlights**

- The assets of the Orleans Levee District exceeded its liabilities at the close of fiscal year 2002 by \$121,207,204 (net assets), which represents a 4.98% increase from last fiscal year.
- The District's total net assets increased by \$5,749,686. A major cause of this increase is that charges for services, et cetera, were greater than the cost of operations. In addition, capital improvements are not charged against current revenues but are capitalized within the capital assets and depreciated over future periods.

**Overview of the Financial Statements**

The minimum requirements for Special Purpose Governments Engaged in Business-Type Activities established by Governmental Accounting Standards Board Statement 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments consists of three sections - Management's Discussion and Analysis (this section), the basic financial statements (including the notes to the financial statements), and required supplementary information.

**Basic Financial Statements**

The basic financial statements present information for the Orleans Levee District as a whole. The statements in this section include the Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Fund Net Assets; and the Statement of Cash Flows.

The Statement of Net Assets (page v) presents the current and long-term portions of assets and liabilities separately. The difference between total assets and total liabilities is net assets and may provide a useful indicator of whether the financial position of the Orleans Levee District is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Assets (page vi) presents information showing how the Orleans Levee District's assets changed as a result of current year operations. Regardless of when cash is affected, all changes in net assets are reported when the underlying transactions occur. As a result, there are transactions included that will not affect cash until future fiscal periods.

The Statement of Cash Flow (page viii) presents information showing how the Orleans Levee District's cash changed as a result of current year operations. The cash flow statement is prepared using the direct method and includes the reconciliation of operating income(loss) to net cash provided(used) by operating activities (indirect method) as required by GASB Statement No. 34.

ORLEANS LEVEE DISTRICT  
 STATE OF LOUISIANA  
 Management's Discussion and Analysis  
 As of June 30, 2002

Financial Analysis of the Orleans Levee District

Net Assets

	FY 2002
Current and other assets	<u>\$69,383,010</u>
Capital assets	182,131,057
Total assets	<u><u>\$251,514,067</u></u>
Long-term liabilities outstanding	\$126,105,345
Other liabilities	4,201,518
Total liabilities	<u><u>\$130,306,863</u></u>
Net assets:	
Invested in capital assets, net of related debt	\$99,962,580
Restricted	24,672,513
Unrestricted	(3,427,889)
Total net assets	<u><u>\$121,207,204</u></u>

Restricted net assets represent resources that are subject to external or policy restrictions on how they may be used. Conversely, unrestricted net assets are those that do not have any limitations on what these amounts may be used for. Unrestricted net assets are negative (\$3,427,889) and reflect two significant parts. The first element is a \$17,800,195 legal judgment recorded as a liability and therefore a reduction in District net assets. While the judgment represents a liability of the Orleans Levee District, it is long-term in nature, since under Louisiana law, the judgment cannot be used to force the District to liquidate assets to satisfy the judgment. The second contributing factor reflects the fact that District revenues have been inadequate to cover expenses, especially depreciation expenses.

The District's net assets increased by \$5,749,686 during the current fiscal year. A major cause of this increase is that charges for services, et cetera, were greater than the cost of operations. In addition, capital improvements are not charged against current revenues but are capitalized within the capital assets and depreciated over future periods.

Statement of Revenues, Expenses,  
and Changes In Net Assets

	FY 2002
Operating revenues	\$13,917,643
Operating expenses	<u>(29,499,316)</u>
Operating income (loss)	(15,581,673)
Non-operating revenues (expenses)	<u>21,331,359</u>
Net increase(decrease) in net assets	<u><u>\$5,749,686</u></u>

**ORLEANS LEVEE DISTRICT  
STATE OF LOUISIANA  
Management's Discussion and Analysis  
As of June 30, 2002**

Property taxes increased by \$517,020 (2.52 percent) during the year, and federal and state grants increased by \$811,295 (60.31 percent) during the year. For the most part, increases in flood and drainage expenses closely paralleled inflation.

**Capital Asset and Debt Administration**

**Capital assets.** The Orleans Levee District's investment in capital assets for its governmental and business-type activities as of June 30, 2002, amounts to \$182,131,057 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, infrastructure, machinery, and equipment. The total decrease in the Orleans Levee District's investments in capital assets for the current fiscal year was 1.51 percent.

**Capital Assets  
(Net of Depreciation)**

	<u>FY 2002</u>
Land	\$31,826,867
Buildings	6,056,642
Improvements other than buildings	35,075,024
Movable property	1,791,879
Infrastructure	104,113,277
Construction in progress	3,267,368
Total	<u>\$182,131,057</u>

Major capital asset events during the current fiscal year included the following:

- Sale of \$1,205,125 of obsolete machinery and equipment at an auction held on November 27, 2001.
- Machinery and equipment valued less than \$1,000 was written off in accordance with memorandum dated September 6, 2000 from the Louisiana Property Assistance Agency. Total cost basis of these assets was \$1,120,913.
- Rebuilding the southwest retaining wall at Lakefront Airport, which was damaged during Hurricane Georges, was completed during fiscal year 2002 at a total cost of \$2,650,267.
- Construction continued on Lakeshore Drive Reach 3 (roadway and bridge improvements). Construction in progress as of the close of the fiscal year had reached \$3,087,787.

**Debt.** At the end of the current fiscal year, the Orleans Levee District had total bonded debt outstanding of \$106,790,000. The debt of the Orleans Levee District is payable from the avails of the two limited ad valorem taxes: the tax authorized by Article 6, Section 39A of the Louisiana Constitution and the special levee improvement tax authorized by the election of November 1983. The 1988 Capital Recovery Funding Bonds are secured by a subordinated pledge of both taxes.

**ORLEANS LEVEE DISTRICT  
STATE OF LOUISIANA  
Management's Discussion and Analysis  
As of June 30, 2002**

**Outstanding Debt**

	<u>2002</u>
General obligation bonds	\$135,000
Public improvement bonds	30,920,000
Levee improvement bonds	51,580,000
Capital recovery funding bonds	24,155,000
Total	<u>\$106,790,000</u>

The Orleans Levee District has a judgment of \$17,800,195 outstanding at year-end compared with \$18,171,727 last year. Other obligations include accrued annual and compensatory leave.

**Variations between Budgeted and Actual**

Revenues were approximately \$2,453,760 over budget and expenses were \$610,591 more than budget due in part to the District's policy of not budgeting for depreciation.

**Economic Factors and Next Year's Budgets and Rates**

The Board of Commissioners of the Orleans Levee District considered the following factors and indicators when setting next year's budget, rates, and fees. These factors and indicators include:

- Increase in boat slip rental rates at both Orleans Marina and South Shore Harbor Marina,
- Minimal growth in assessed values of property subject to ad valorem taxes, and
- Expectation of low inflation and low interest rates on the District's investments.

Given the constraints the Orleans Levee District faces in raising revenue, it is expected that next year's results will not improve. Some improvement may be realized should the privatization of Lakefront Airport be achieved.

**Contacting the Orleans Levee District's Management**

This financial report is designed to provide a general overview of the Orleans Levee District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Board of Commissioners of the Orleans Levee District, Finance Department, Suite 219, 6001 Stars & Stripes Boulevard, New Orleans, Louisiana 70126.

**ORLEANS LEVEE DISTRICT  
STATE OF LOUISIANA  
Statement of Net Assets  
As of June 30, 2002**

<b>ASSETS</b>	
Current assets:	
Cash (note C1)	\$2,448,441
Investments (note C2)	62,583,985
Investments held for Bohemia litigation	639,356
Receivables (note U)	1,518,024
Inventory	539,677
Other assets	146,651
Restricted assets (note F)	938,950
Deferred charges	567,926
Total current assets	<u>69,383,010</u>
Noncurrent assets:	
Capital assets (net of depreciation) (note D)	
Land	31,826,867
Buildings	6,056,642
Improvements other than buildings	35,075,024
Movable property	1,791,879
Infrastructure	104,113,277
Construction in progress	3,267,368
Total noncurrent assets	<u>182,131,057</u>
<b>TOTAL ASSETS</b>	<u><b>\$251,514,067</b></u>
<b>LIABILITIES AND NET ASSETS</b>	
Current liabilities:	
Payables (note V)	\$976,573
Contracts payable	727,239
Deferred revenues	1,285,806
Due to other governments	331,585
Accrued compensated absences (note K)	39,717
Other liabilities	10,060
Bonds payable	4,005,000
Payable from restricted assets - accrued bond interest payable (note Z)	892,154
Total current liabilities	<u>8,268,134</u>
Noncurrent liabilities:	
Deferred revenues	866,077
Accrued compensated absences (note K)	918,980
Bonds payable	102,453,477
Judgments payable	17,800,195
Total noncurrent liabilities	<u>122,038,729</u>
Total liabilities	<u>\$130,306,863</u>
Net assets:	
Invested in capital assets, net of related debt	\$99,962,580
Restricted for:	
Bohemia Spillway claims	639,356
Debt Service	24,033,157
Unrestricted	(3,427,889)
Total net assets	<u>\$121,207,204</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><b>\$251,514,067</b></u>

The accompanying notes are an integral part of this statement.

**ORLEANS LEVEE DISTRICT  
STATE OF LOUISIANA  
Statement of Revenues, Expenses, and Changes in Net Assets  
For the Year ended June 30, 2002**

<b>OPERATING REVENUES</b>	
Charges for services	\$12,542,982
Miscellaneous	1,374,661
Total operating revenues	<u>13,917,643</u>
<b>OPERATING EXPENSES</b>	
Cost of services	22,599,746
Depreciation	6,899,570
Total operating expenses	<u>29,499,316</u>
Operating income (loss)	(15,581,673)
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Taxes	21,029,828
State revenue sharing	1,582,710
Investment earnings	2,180,629
Gain on sale of capital assets	153,084
Federal and state grants	2,443,727
Interest expense	(6,094,829)
Other	30,182
Total non-operating revenues(expenses)	<u>21,325,331</u>
Income (loss) before contributions and transfers	5,743,658
Capital Contributions	6,028
Total capital contributions and transfers	<u>6,028</u>
<b>CHANGE IN NET ASSETS</b>	5,749,686
<b>NET ASSETS AT BEGINNING OF YEAR, as restated</b>	<u>115,457,518</u>
<b>NET ASSETS AT END OF YEAR</b>	<u><u>\$121,207,204</u></u>

The accompanying notes are an integral part of this statement.

ORLEANS LEVEE DISTRICT  
STATE OF LOUISIANA  
Statement of Activities  
For the Year Ended June 30, 2002

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
Expenses					
<b>Orleans Levee District</b>	<u>\$35,594,146</u>	<u>\$12,542,982</u>	<u>\$3,184</u>	<u>\$2,446,572</u>	<u>(\$20,601,408)</u>
General revenues:					
Property taxes					21,029,828
Unrestricted intergovernmental revenues					1,582,710
Unrestricted investment earnings					2,180,629
Miscellaneous					1,374,661
Gain on sale of capital assets					153,084
Litigation payments, net					30,182
Total general revenues and litigation payments (net)					<u>26,351,094</u>
<b>CHANGE IN NET ASSETS</b>					<b>5,749,686</b>
<b>NET ASSETS AT BEGINNING OF YEAR, AS RESTATED</b>					<b>115,457,518</b>
<b>NET ASSETS AT END OF YEAR</b>					<b><u>\$121,207,204</u></b>

The accompanying notes are an integral part of this statement.

**ORLEANS LEVEE DISTRICT  
STATE OF LOUISIANA  
Statement of Cash Flows  
For the Year Ended June 30, 2002**

**CASH FLOW FROM OPERATING ACTIVITIES:**

Receipts from customers	\$14,668,370
Payments to suppliers	(12,378,084)
Payments to employees	(10,577,363)
Net cash provided (used) by operating activities	<u>(8,287,077)</u>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:**

Receipts from taxpayers	20,888,005
Litigation payments, net	(341,350)
Contributions from donors	6,028
Net cash provided (used) by noncapital financing activities	<u>20,552,683</u>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:**

Proceeds from sale of capital assets	156,355
Purchase of capital assets	(4,129,536)
Proceeds from federal and state grants	4,109,101
Principal paid on capital debt	(3,655,910)
Interest paid on capital debt	(6,219,759)
Net cash provided (used) by capital and related financing activities	<u>(9,739,749)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Interest	1,905,570
Proceeds from sale of investments	275,060
Purchase of investments	(7,233,740)
Net cash provided by investing activities	<u>(5,053,110)</u>

**Net Increase in cash**

(2,527,253)

**Cash and cash equivalents, July 1, 2001**8,979,629**Cash and cash equivalents, June 30, 2002**\$6,452,376

Cash	\$2,448,441
Money market cash	3,064,985
Restricted cash	938,950
Total cash, end of year	<u><u>\$6,452,376</u></u>

**RECONCILIATION OF OPERATING INCOME (LOSS) TO NET****CASH PROVIDED (USED) BY OPERATING ACTIVITIES:**

Operating income (loss)	(\$15,581,673)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Cash flows reported in other categories:	
Removal of fixed assets	23,564
Depreciation expense	6,899,570
Amortization of bond issuance costs	70,124
Change in assets and liabilities:	
Receivables, net	54,448
Inventories	(39,865)
Prepaid expenses and other assets	(95,538)
Accounts and other payables	382,291
Net cash provided (used) by operating activities	<u><u>(\$8,287,079)</u></u>

The accompanying notes are an integral part of this statement.

**ORLEANS LEVEE DISTRICT**  
**STATE OF LOUISIANA**  
**Notes to the Financial Statements**  
**As of and for the Year Ended June 30, 2002**

**INTRODUCTION**

The Orleans Levee District and its board of commissioners were established by Act 93 of the 1890 General Assembly (Legislature) of the State of Louisiana. The board has primary responsibility for the operation and maintenance of levees, embankments, seawall, jetties, breakwaters, water basins, and other hurricane and flood protection improvements surrounding the City of New Orleans, including the southern shores of Lake Pontchartrain and along the Mississippi River. The board is responsible for the maintenance of almost 129 miles of levees and floodwalls. To enhance flood protection, the Orleans Levee District and the United States Corps of Engineers participate in several joint flood protection projects relative to the Lake Pontchartrain and Vicinity Hurricane Protection Plan (High Level Plan).

Act 292 of the 1928 Louisiana Legislature authorized the board to dedicate, construct, operate and maintain public parks, beaches, marinas, aviation fields, and other like facilities. The board owns and operates a general aviation airport, the New Orleans Lakefront Airport. The board also owns and operates the Orleans Marina and the South Shore Harbor Marina. The Orleans Marina has 352 boat slips. The South Shore Harbor Marina, which was officially dedicated September 19, 1987, has a 43-acre calm water basin, 447 open boat slips, and 26 covered boat slips. In addition, Orleans Levee District receives certain rents and gaming related monies from a steamboat operator located at the South Shore Harbor Marina. The levee district has approximately 256 full-time employees, including 53 police officers and 12 firefighters.

The levee district is governed by a board of eight commissioners, six of whom are appointed by the governor. Two commissioners serve in an ex-officio capacity, the mayor of the City of New Orleans or his designee and one member appointed by the mayor from a list of three city councilmen selected by the members of the city council of New Orleans.

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**BASIS OF ACCOUNTING**

In April of 1984, the Financial Accounting Foundation established the Governmental Accounting Standards Board (GASB) to promulgate generally accepted accounting principles and reporting standards with respect to activities and transactions of state and local governmental entities. The GASB has issued a Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification). This codification and subsequent GASB pronouncements are recognized as generally accepted accounting principles for state and local governments. The accompanying financial statements have been prepared in accordance with such principles.

The accompanying financial statements present information only as to the transactions of the Orleans Levee District as authorized by Louisiana statutes.

Basis of accounting refers to when revenues and expenses are recognized and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accounts of the Orleans Levee District are maintained in accordance with applicable statutory provisions and the regulations of the Division of Administration - Office of Statewide Reporting and Accounting Policy as follows:

**ORLEANS LEVEE DISTRICT  
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Revenue Recognition

Revenues are recognized using the full accrual basis of accounting; therefore, revenues are recognized in the accounting period in which they are earned and become measurable.

Expense Recognition

Expenses are recognized on the accrual basis; therefore, expenses, including salaries, are recognized in the period incurred, if measurable.

**B. BUDGETARY PRACTICES**

The levee district prepares its budget in accordance with R.S. 38:318. The budget for the fiscal year ended June 30, 2002, was adopted on February 21, 2001, and subsequent amendments were adopted on February 20, 2002 and May 15, 2002. Formal budget integration is employed as a management control device during the year. All appropriations lapse at year-end.

**C. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS**

**1. DEPOSITS WITH FINANCIAL INSTITUTIONS**

At June 30, 2002, the levee district has cash (book balances), totaling \$3,387,391, which consists of the following:

Demand deposits	\$666,802
Petty cash	700
Cash with fiscal agent	1,780,939
Subtotal	<u>2,448,441</u>
Restricted assets	<u>938,950</u>
Total	<u><u>\$3,387,391</u></u>

Deposits in bank accounts are stated at cost, which approximates market. Under state law these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These pledged securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. The deposits at June 30, 2002, are secured as follows:

**ORLEANS LEVEE DISTRICT  
STATE OF LOUISIANA  
Notes to the Financial Statements  
As of and for the Year Ended June 30, 2002**

	Deposits in Bank Accounts			Total
	Cash	Certificates of Deposit	Other	
Deposits in Bank Accounts per Balance Sheet	<u>\$3,386,691</u>	<u>NONE</u>	<u>NONE</u>	<u>\$3,386,691</u>
Bank Balances:				
a. Insured (FDIC) or collateralized with securities held by the entity or its agent in the entity's name (Category 1)	\$214,974			\$214,974
b. Collateralized with securities held by pledging financial institution's trust department or agent in the entity's name (Category 2)				
c. Uncollateralized, including any securities held for the entity but not in the entity's name (Category 3)	<u>4,059,360</u>			<u>4,059,360</u>
Total Bank Balances	<u>\$4,274,334</u>	<u>NONE</u>	<u>NONE</u>	<u>\$4,274,334</u>

NOTE: The total bank balances will not necessarily equal the deposits in bank account per the statement of net assets.

The following is a breakdown by banking institution, program, and amount of the balances shown above:

Banking Institution	Amount
1. Whitney National Bank	\$1,519,052
2. Hibernia National Bank	34,187
3. Bank of New York	79,579
4. Bank One	269,592
5. State Street Bank	2,370,716
6. Liberty Bank	1,208
Total	<u>\$4,274,334</u>

**2. INVESTMENTS**

At June 30, 2002, investments of the levee district total \$63,223,341, which is shown on Statement A as \$62,583,985 of investments and \$639,356 as investments held for Bohemia litigation.

A summary of levee district investments follows:

**ORLEANS LEVEE DISTRICT  
STATE OF LOUISIANA  
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As of and for the Year Ended June 30, 2002**

	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Reported Amount</u>	<u>Fair Value</u>
Government Securities:					
United States Treasury obligations			\$29,338,503	\$29,338,503	\$29,338,503
Federal Home Loan Mortgage			7,053,991	7,053,991	7,053,991
Federal National Mortgage Association			17,536,638	17,536,638	17,536,638
Governmental National Mortgage Association			4,229,224	4,229,224	4,229,224
<b>Total governmental securities</b>	<u>NONE</u>	<u>NONE</u>	<u>\$58,158,356</u>	<u>58,158,356</u>	<u>58,158,356</u>
Certificate of Deposit			<u>\$2,000,000</u>	2,000,000	2,000,000
Investments not categorized - money market mutual funds				<u>3,064,985</u>	<u>3,064,985</u>
<b>Total Investments</b>				<u>\$63,223,341</u>	<u>\$63,223,341</u>

Investments of governmental securities are stated at fair value as required by GASB Statement No. 31. The levee district used quoted market values to determine the fair value of the investments. These investments are direct obligations of the United States Department of Treasury and other federal governmental agencies. These investments are considered uninsured and unregistered as these securities are not in the name of the levee district and are held by the fiscal agents and/or their trust departments. These investments are classified as GASB Risk Category 3 of Statement 3 in applying the credit risk of GASB Codification Section 150.164.

The risk categories are defined as follows:

Category 1 - Insured or registered in the entity's name, or securities held by the entity or its agent in the entity's name.

Category 2 - Uninsured and unregistered with securities held by the counter party's trust department or agent in the entity's name.

Category 3 - Unsecured and unregistered with securities held by the counter party, or by its trust department or agent but not in the entity's name.

**D. CAPITAL ASSETS**

Capital assets, which include property, plant, equipment, and infrastructure (such as bridges, seawalls, roads, and levees), are reported in the financial statements. Capital assets are capitalized at historical cost. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The levee district maintains a threshold level of \$1,000 or more for capitalizing capital assets.

No salvage value is taken into consideration for depreciation purposes. All capital assets, other than land, are depreciated using the straight-line method over the following estimated useful lives:

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<u>Description</u>	<u>Years</u>
Land improvements	20
Buildings and building improvements	40
Furniture and fixtures	7-10
Vehicles	7
Equipment	7-10
Infrastructure	40

**Flood Protection Systems**

Resources of the United States Army Corps of Engineers (USACE), the State of Louisiana, the Orleans Levee District and the City of New Orleans as local participants are committed to protecting lives and property of the residents and businesses of the City of New Orleans from the potential for flooding posed by the Mississippi River and its tributaries, and from Lake Pontchartrain.

The Orleans Levee District and the Corps of Engineers have together invested \$372 million in flood control systems in the Lake Pontchartrain and Vicinity Hurricane Protection Plan for Orleans Parish. Major elements of the protection program include 1) levees, floodwalls and floodgates along the lakefront, Mississippi River Gulf Outlet canal and along the 3 critical outfall canals, 2) a seawall at the shores of Lake Pontchartrain, and 3) barrier levees on the outskirts of the city. The current height of these levees is 14 to 18 feet.

The USACE has spent \$19.9 million on 27.5 miles of Mississippi River levees, floodwalls, floodgates and other flood control structures.

In accordance with accounting principles generally accepted in the United States of America and the Government Accounting Standards Board Statement No. 34, governments are required to identify infrastructure assets, including flood control systems. While the Orleans Levee District manages and monitors the levees, flood control structures and bridges comprising the flood protection system, the USACE has the primary responsibility for major maintenance and construction. Accordingly, the Orleans Levee District has excluded from its financial statements those costs incurred on assets owned by others, or substantially built and maintained by others.

Only those portions of the flood protection system that were funded by the District's 1984 bond issue have been capitalized. Those costs are included in the financial statements and amount to \$53,481,035 relating to investments in levees, floodwalls, floodgates, flood control structures, etc.

**Other Infrastructure Assets**

In addition to the \$53,481,035 noted above, the financial statements reflect investments in roadways, bridges, parks and recreation, and buildings. Total cost of infrastructure assets at June 30, 2002 totaled to \$121,684,581. The components of this total are:

**ORLEANS LEVEE DISTRICT  
STATE OF LOUISIANA  
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Bridges/roadways	\$64,285,729
Parks/recreation	1,608,249
Buildings	2,309,568
Subtotal - other infrastructure assets	<u>68,203,546</u>
Flood protection systems	<u>53,481,035</u>
<b>Total - infrastructure assets</b>	<b><u><u>\$121,684,581</u></u></b>

Accumulated depreciation on infrastructure assets at June 30, 2002 totaled \$17,571,304.

A summary of changes in capital assets is as follows:

	Year ended June 30, 2002						
	Balance 6/30/2001	Additions	Transfers *	Retirements	Balance 6/30/2002	Prior Period Adjustment	Adjusted Balance 6/30/2002
Land	\$31,826,867				\$31,826,867		\$31,826,867
Construction in progress	134,941	3,666,615	(3,233,584)		567,972	2,699,396	3,267,368
Total capital assets not being depreciated	<u>\$31,961,808</u>	<u>\$3,666,615</u>	<u>(\$3,233,584)</u>	<u>\$0</u>	<u>\$32,394,839</u>	<u>\$2,699,396</u>	<u>\$35,094,235</u>
Other capital assets:							
Movable property	\$11,020,965	\$514,696		(\$2,341,639)	\$9,194,022		\$9,194,022
Less accumulated depreciation	(1,053,603)	(437,524)		233,191	(1,257,936)	(6,144,207)	(7,402,143)
Total movable property	<u>9,967,362</u>	<u>77,172</u>	<u>0</u>	<u>(2,108,448)</u>	<u>7,936,086</u>	<u>(6,144,207)</u>	<u>1,791,879</u>
Buildings	17,349,954				17,349,954		17,349,954
Less accumulated depreciation	(6,703,254)	(434,795)			(7,138,049)	(4,155,263)	(11,293,312)
Total buildings	<u>10,646,700</u>	<u>(434,795)</u>	<u>0</u>	<u>0</u>	<u>10,211,905</u>	<u>(4,155,263)</u>	<u>6,056,642</u>
Improvements other than buildings	76,914,036		2,927,581		79,841,617	9,710,064	89,551,681
Less accumulated depreciation	(44,322,391)	(2,938,284)			(47,260,675)	(7,215,982)	(54,476,657)
Total improvements other than buildings	<u>32,591,645</u>	<u>(2,938,284)</u>	<u>2,927,581</u>	<u>0</u>	<u>32,580,942</u>	<u>2,494,082</u>	<u>35,075,024</u>
Infrastructure	9,710,064		306,003		10,016,067	111,668,514	121,684,581
Less accumulated depreciation		(3,087,765)			(3,087,765)	(14,483,539)	(17,571,304)
Total infrastructure	<u>9,710,064</u>	<u>(3,087,765)</u>	<u>306,003</u>	<u>0</u>	<u>6,928,302</u>	<u>97,184,975</u>	<u>104,113,277</u>
Total other capital assets	<u>\$73,209,914</u>	<u>(\$2,796,958)</u>	<u>\$0</u>	<u>\$233,191</u>	<u>\$70,646,147</u>	<u>\$96,234,246</u>	<u>\$182,131,057</u>
Capital assets not being depreciated	\$31,961,808	\$3,666,615	(\$3,233,584)		\$32,394,839	\$2,699,396	\$35,094,235
Other capital assets, at cost	114,995,019	514,696	3,233,584	(2,341,639)	116,401,660	121,378,578	237,780,238
Total cost of capital assets	<u>146,956,827</u>	<u>4,181,311</u>	<u>0</u>	<u>(2,341,639)</u>	<u>148,796,499</u>	<u>124,077,974</u>	<u>272,874,473</u>
Less accumulated depreciation	<u>(52,079,248)</u>	<u>(6,898,368)</u>	<u></u>	<u>233,191</u>	<u>(58,744,425)</u>	<u>(31,998,991)</u>	<u>(90,743,416)</u>
Capital assets, net	<u>\$94,877,579</u>	<u>(\$2,717,057)</u>	<u>\$0</u>	<u>(\$2,108,448)</u>	<u>\$90,052,074</u>	<u>\$92,078,983</u>	<u>\$182,131,057</u>

**E. INVENTORIES**

The levee district maintains a perpetual inventory system for general government materials and supplies and fuel purchased for resale by the New Orleans Lakefront Airport. The general

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government inventory is recorded as an expense at the time the individual items are withdrawn from stock. The general government inventory is valued at average cost. The year-end balance consists of flood protection items that could be needed at any time. The fuel purchases are recorded as an expense when consumed. The fuel purchases are valued at cost using the first-in, first-out (FIFO) method.

**F. RESTRICTED ASSETS**

Restricted assets represent proceeds from debt and funds set aside for payment of general obligation debt. These funds are classified as restricted assets since their use is limited by applicable bond indentures

Restricted assets at June 30, 2002, reflected at \$938,950 on Statement A, consist of cash with fiscal agent.

**G. COMPENSATED ABSENCES**

Employees earn and accumulate annual and sick leave at various rates, depending on their years of service. The amount of annual and sick leave that may be accumulated by each employee is unlimited. Upon termination, employees or their heirs are compensated for up to 300 hours of unused annual leave at the employee's hourly rate of pay at the time of termination. Upon retirement, unused annual leave in excess of 300 hours plus unused sick leave are used to compute retirement benefits. In addition, it is the levee district's policy to pay any accumulated compensatory leave at the employee's hourly rate of pay at the time of termination.

The cost of leave privileges, computed in accordance with GASB Codification Section C60, is recognized as an expense when leave is earned. The financial statements present the cost of accumulated annual and compensatory leave as a liability. There is no liability for unpaid accumulated sick leave since the levee district does not have a policy to pay this amount when employees separate from service. The value of accrued annual leave and compensatory leave is \$848,908 and \$109,788, respectively.

**H. RETIREMENT SYSTEM**

Substantially all employees of the levee district are members of the Louisiana State Employees Retirement System (System), a cost sharing, multiple-employer, defined benefit pension plan. The System is a statewide public employee retirement system (PERS) for the benefit of state employees, which is administered and controlled by a separate board of trustees.

All full-time levee district employees are eligible to participate in the System. Benefits vest with 10 years of service. At retirement age, employees are entitled to annual benefits equal to \$300 plus 2.5% of their highest consecutive 36 months' average salary multiplied by their years of credited service. Vested employees are entitled to a retirement benefit, payable monthly for life at (a) any age with 30 years of service, (b) age 55 with 25 years of service, or (c) age 60 with 10 years of service. In addition, vested employees have the option of reduced benefits at any age with 20 years of service. The System also provides death and disability benefits. Benefits are established or amended by state statute. The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the State Employees Retirement System, Post Office Box 44213, Baton Rouge, Louisiana 70804-4213, or by calling (225) 922-0608 or (800) 256-3000.

**ORLEANS LEVEE DISTRICT  
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Members are required by state statute to contribute 7.5% of gross salary, and the levee district is required to contribute at an actuarially determined rate as required by R.S. 11:102. The contribution rate for the fiscal year ended June 30, 2002, remained at 13% of annual covered payroll, compared to 13% and 12.3% required in fiscal years ended June 30, 2001, and 2000, respectively. The levee district contributions to the System for the years ending June 30, 2002, 2001, and 2000, were \$870,570, \$888,538, and \$863,040, respectively, equal to the required contributions for each year.

**I. POSTEMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS**

Substantially all levee district employees become eligible for postemployment health care, dental, and life insurance benefits if they reach normal retirement age while working for the levee district. These benefits for retirees and similar benefits for active employees are provided through an insurance company whose premiums are paid jointly by the employee and the levee district. For 2002, the cost of providing those benefits for the 87 retirees totaled \$278,109.

**J. LEASES**

**1. OPERATING LEASES**

The total payments for operating leases during fiscal year 2002 amounted to \$24,175.14. A schedule of payments for operating leases follows:

Nature of lease	FY2003	FY2004
Copier machines	\$31,466	\$31,466
Total	\$31,466	\$31,466

**2. CAPITAL LEASES**

None

**3. LESSOR DIRECT FINANCING LEASES**

None

**4. LESSOR OPERATING LEASES**

The Orleans Levee District leases boat slips, boathouses, and building space to certain parties under operating leases. At June 30, 2002, the total cost of the land, buildings and improvements leased to others is \$107,529,389, with \$53,976,154 of related accumulated depreciation. Future minimum rental payments to be received under these operating leases are as follows:

**ORLEANS LEVEE DISTRICT  
STATE OF LOUISIANA  
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Fiscal year ending June 30:	
2003	\$8,396,130
2004	8,431,972
2005	8,502,126
2006	8,448,636
2007	8,063,634
	<u>8,063,634</u>
Total	<u>\$41,842,498</u>

**K. LONG-TERM OBLIGATIONS**

The following is a summary of the long-term obligation transactions for the year ended June 30, 2002:

	Long-Term Obligations Payable at July 1, 2001	Additions	Deductions and Retirement	Long-Term Obligations Payable at June 30, 2002	Due Within One Year
General obligation bonds	\$200,000		(\$65,000)	\$135,000	\$65,000
Capital Recovery Funding Bonds	24,155,000			24,155,000	NONE
Levee Improvement:					
Fixed Rate Refunding Bonds, Series 1986	48,255,000		(2,080,000)	46,175,000	2,230,000
Variable Rate Refunding Bonds, Series 1996	5,710,000		(305,000)	5,405,000	315,000
Public Improvement:					
Fixed Rate Refunding Bonds, Series 1986	29,845,000		(1,195,000)	28,650,000	1,275,000
Variable Rate Refunding Bonds, Series 1996	2,385,000		(115,000)	2,270,000	120,000
Less:					
Unamortized discounts	(291,378)		20,813	(270,565)	
Unamortized loss on refunding	(69,111)		8,153	(60,958)	
Total - bonds	<u>110,189,511</u>	<u>0</u>	<u>(3,731,034)</u>	<u>106,458,477</u>	<u>4,005,000</u>
Judgments	18,171,727		(371,532)	17,800,195	
Compensated absences	960,181		(1,484)	958,697	39,717
Total long-term obligations	<u>\$129,321,419</u>	<u>\$0</u>	<u>(\$4,104,050)</u>	<u>\$125,217,369</u>	<u>\$4,044,717</u>

A detailed summary, by issues, of all debt outstanding at June 30, 2002, including outstanding interest of \$40,669,356, is shown on schedule 3-C. Schedule 4-D is an amortization schedule of the outstanding debt.

**L. LITIGATION**

Numerous lawsuits have been filed by individuals, and acts have been passed by the Louisiana Legislature concerning the return of certain expropriated properties in the Bohemia Spillway and the payment of royalties and rents derived from these properties to the original owners of the properties. Act 233 of 1984, as amended by Acts 819 of 1985, 847 of 1992, 1364 of 1997, and 1378 of 1999, requires the Board of Commissioners of the Orleans Levee District upon receipt of the names of certified claimants from the Secretary of the Louisiana Department of Natural

**ORLEANS LEVEE DISTRICT**  
**STATE OF LOUISIANA**  
**Notes to the Financial Statements**  
**As of and for the Year Ended June 30, 2002**

Resources (DNR), to return the ownership of properties in the Bohemia Spillway in the parish of Plaquemines to the owners or their successors from whom the property was acquired by expropriation or by purchase under threat of expropriation. At this date, the levee district is maintaining a complete accounting of all royalty revenues received as required by the act. The value of Bohemia Spillway properties included in the capital assets is \$133,244.

Before the effective date of Act 1364 of 1997 and 1378 of 1999, the Louisiana Department of Natural Resources (DNR) certified claimants who had an interest in 164 of 220 tracts of land in the Bohemia Spillway for the return of the property. All property claims certified by DNR as of October 1, 2000 have been returned. All claims certified since October 1, 2000 are being processed for the return to claimants. Upon the return of the property, the levee district is required to return the royalties, et cetera, collected since June 29, 1984, until the date of transfer.

Judgments were rendered in Vogt & Edgecombe v. Board of Commissioners of the Orleans Levee District, Case No. 94-5084 c/w 94-5089, and in Haspel & Davis v. Board of Commissioners of the Orleans Levee District, Case No. 31-357, in favor of the plaintiffs awarding the sum of \$1,831,528 and \$18,767,145, respectively, plus interest from the date of judicial demand until paid, for the sum of revenues paid to the levee district of its share of royalties under mineral leases in the Bohemia Spillway. As of August 15, 2000, all claims under \$10,000 in Vogt & Edgecombe were paid in the full sum of \$108,683. As of August 15, 2000, all claims under \$10,000 in Haspel & Davis were paid into the registry of the court, for the benefit of all claimants, in the full sum of \$1,968,264. As of December 11, 2000, an additional sum of \$350,000, as agreed fixed costs in Haspel & Davis, was paid into the registry of the court. As of August 15, 2001, an additional sum of \$371,532 was paid on the Haspel & Davis judgment. As of June 30, 2002, unpaid final judgments in Vogt & Edgecombe and Haspel & Davis totaled \$1,722,845 and \$16,077,350, respectively, plus interest from the date of judgments. There is pending litigation in Vogt & Edgecombe with judgment on appeal by the plaintiffs, from decisions of the trial court that plaintiffs could not force the payment of their judgment by mandamus or through writ of seizure. As of June 30, 2002, writs to the Louisiana Supreme Court have been filed by the Vogt & Edgecombe judgment creditors from a loss in the Louisiana Fourth Circuit of Appeals. All judgments in the Bohemia Spillway matter will be paid if and when funds become available and when funds are appropriated therefor.

At June 30, 2002, the levee district is a defendant or co-defendant in 69 lawsuits, including 22 cases related to the Bohemia Spillway, claiming damages, possession of property, and contract disputes. In addition, the levee district is involved in several civil service actions. The levee district's legal counsel has reviewed all claims and lawsuits to evaluate the likelihood of an unfavorable outcome to the levee district and has attempted to arrive at an estimate of the amount of potential loss. For the lawsuits involving claims or damages not related to the Bohemia Spillway, the levee district's legal counsel does not anticipate a potential loss to the levee district resulting from these lawsuits.

As reflected in the financial statements, expenditures for claims and litigation total \$438,976 for the year ended June 30, 2002. At June 30, 2002, liabilities associated with claims and judgments totaled \$17,800,195.

**M. RELATED PARTY TRANSACTIONS**

None

**ORLEANS LEVEE DISTRICT  
STATE OF LOUISIANA  
Notes to the Financial Statements  
As of and for the Year Ended June 30, 2002**

**N. ACCOUNTING CHANGES**

None

**O. IN-KIND CONTRIBUTIONS**

The United States Army Corps of Engineers (USACE) and the levee districts in southeastern Louisiana, including Orleans Levee District, participate in several joint flood protection projects relative to the Lake Pontchartrain and Vicinity Hurricane Protection Plan (High Level Plan). Under the High Level Plan, the levee district has expended bond and ad valorem tax funds over (approximately) the last 16 years for USACE qualified projects and earned credits for such expenditures to be applied against future flood protection projects.

The United States Congress has approved projects totaling \$745,000,000 for the 300-year Lake Pontchartrain and Vicinity Hurricane Protection Plan. The estimated amount per the USACE for Orleans Parish is \$372,617,016. The USACE will expend 70% and the Orleans Levee District will expend 30%. The estimated expenditures at June 30, 2002, are \$280,045,000 for the USACE. The 30% participation by the Orleans Levee District will not cause direct cash outflows. Three major projects on the High Level Plan are ongoing in Orleans Parish: the Orleans Avenue Canal, London Avenue Canal, and 17th Street Canal. These major projects should be completed in 2005.

**P. OUTSTANDING DEFEASED DEBT**

In prior years, the levee district defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts and the defeased bonds are not included in the levee district's financial statements. As of June 30, 2002, the following outstanding bonds are considered defeased:

<u>Bond Issues</u>	<u>Original Issue</u>		<u>Outstanding at June 30, 2002</u>
	<u>Refunded Date</u>	<u>Amount Defeased</u>	
1984 Levee Improvement - Serial Bonds	May 1985	\$16,610,000	NONE

**Q. COOPERATIVE ENDEAVORS**

None

**R. GOVERNMENT-MANDATED NONEXCHANGE TRANSACTIONS (GRANTS)**

The Orleans Levee District received federal funds from the Federal Emergency Management Assistance Agency under the Public Assistance Grants Program (CFDA 83.544). The levee district administers this program as a subrecipient with funds passed through the Department of Military Affairs. During the year ended June 30, 2002, the levee district expended federal funds totaling \$1,477,812 under this program.

In addition, the Orleans Levee District received federal funds from the Federal Aviation Administration under the Airport Improvement Grants Program (CFDA 20.106). This grant provides for the airport to resurface the runway and taxiway and install a security access control

**ORLEANS LEVEE DISTRICT  
STATE OF LOUISIANA  
Notes to the Financial Statements  
As of and for the Year Ended June 30, 2002**

system around the perimeter of the airport. During the year ended June 30, 2002, the levee district expended federal funds totaling \$237,284 under this program.

**S. VIOLATIONS OF FINANCE-RELATED LEGAL OR CONTRACTUAL PROVISIONS**

None

**T. SHORT-TERM DEBT**

None

**U. DISAGGREGATION OF RECEIVABLE BALANCES**

Receivables at June 30, 2002, were as follows:

Activity	Customer Receivables	Taxes	Receivables from Other Governments	Other Receivables	Total Receivables
Gross receivables	\$716,914	\$688,447	\$112,663		\$1,518,024
Less allowance for uncollectible accounts	0	0	0	0	0
Receivables, net	\$716,914	\$688,447	\$112,663	0	\$1,518,024
Amounts not scheduled for collection during the subsequent year	\$0	\$0	\$0	\$0	\$0

**V. DISAGGREGATION OF PAYABLE BALANCES**

Payables at June 30, 2002, were as follows:

Activity	Vendors	Salaries and Benefits	Accrued Interest	Other (Contracts) Payables	Total Payables
Total payables	820,587	155,986	892,154	727,239	2,595,966

**W. SUBSEQUENT EVENTS**

On March 27, 2002 by Resolution No. S1-032702, the board approved the Agreement for the Lease, Management, Operation, Commercial Enhancement and Development of the New Orleans Lakefront Airport between the Commissioners of the Orleans Levee District and American Airports Lakefront, L.L.C., previously approved by the Special Airport Committee of the Orleans Levee Board. The board also authorized the President of the Board of Commissioners of the Orleans Levee District to sign and file with the Federal Aviation Administration (FAA) the Final Application for Exemptions under the Federal Airport Privatization Pilot Program, for the

**ORLEANS LEVEE DISTRICT  
STATE OF LOUISIANA  
Notes to the Financial Statements  
As of and for the Year Ended June 30, 2002**

privatization of the New Orleans Lakefront Airport. The Final Application for Exemptions under the Federal Airport Privatization Pilot Program, for the privatization of the New Orleans Lakefront Airport was submitted to the FAA on April 30, 2002 and is currently under review.

**X SEGMENT INFORMATION**

None

**Y. DUE TO/DUE FROM AND TRANSFERS**

None

**Z. LIABILITIES PAYABLE FROM RESTRICTED ASSETS**

Liabilities payable from restricted assets at June 30, 2002 total \$892,154 in the current liabilities section on Statement A, and consists of \$892,154 in accrued bond interest payable.

**AA. PRIOR-YEAR RESTATEMENT OF NET ASSETS**

The following adjustments were made to restate beginning net assets for June 30, 2002.

The beginning net assets as reflected on Statement B has been restated to reflect the implementation of GASB 34 Statement No. 34. The following schedule reconciles June 30, 2001 fund balance/retained earnings as previously reported, to beginning net assets as restated.

	Governmental Funds	Enterprise Funds	Total
Fund balance/retained earnings at June 30, 2001	\$54,449,113	\$27,561,884	\$82,010,997
Capitalization of assets, net	130,845,763		130,845,763
Long term debt	(97,278,413)		(97,278,413)
Revenue and expense accruals	(120,829)		(120,829)
Net assets at June 30, 2001	<u>\$87,895,634</u>	<u>\$27,561,884</u>	<u>\$115,457,518</u>

ORLEANS LEVEE DISTRICT  
 STATE OF LOUISIANA  
 Notes to the Financial Statements  
 As of and for the Year Ended June 30, 2002

Schedule 1

ORLEANS LEVEE DISTRICT  
 STATE OF LOUISIANA  
 SCHEDULE OF PER DIEM PAID TO BOARD MEMBERS  
 For the Year Ended June 30, 2002

<u>Name</u>	<u>Amount</u>
Kathleen Cain (Resigned effective October 16, 2002)	NONE
Thomas B. Coleman (Appointed effective June 1, 2002)	NONE
Marlin N. Gusman	\$1,875
Patricia W. Harris	1,800
James P. Huey, President	2,100
Victor A. Landry, Vice President	2,700
James E. Livingston	NONE
Robert E. Smith Lupo	NONE
Cynthia Willard-Lewis	1,500
Margaret H. Wilson (Resigned May 1, 2002)	<u>1,050</u>
Total	<u><u>\$11,025</u></u>

ORLEANS LEVEE DISTRICT  
STATE OF LOUISIANA  
SCHEDULE OF STATE FUNDING  
For the Year Ended June 30, 2002

<u>Description of Funding</u>	<u>Amount</u>
1. NONE	\$
2.	
3.	
4.	
5.	
6.	
7.	
8.	
9.	
10.	
Total	<u>\$0</u>

**ORLEANS LEVEE DISTRICT  
STATE OF LOUISIANA  
SCHEDULE OF REIMBURSEMENT CONTRACTS PAYABLE  
June 30, 2002**

Issue	Date of Issue	Original Issue	Principal Outstanding 06/30/01	Redeemed (Issued)	Principal Outstanding 06/30/02	Interest Rates	Interest Outstanding 06/30/02
NONE		\$	\$	\$	\$		\$
<b>Total</b>		<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>		<u>\$</u>

**ORLEANS LEVEE DISTRICT  
STATE OF LOUISIANA  
SCHEDULE OF NOTES PAYABLE  
June 30, 2002**

Issue	Date of Issue	Original Issue	Principal Outstanding 06/30/01	Redeemed (Issued)	Principal Outstanding 06/30/02	Interest Rates	Interest Outstanding 06/30/02
NONE		\$	\$	\$	\$		\$
Total		<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>		<u>\$</u>

**ORLEANS LEVEE DISTRICT  
STATE OF LOUISIANA  
SCHEDULE OF BONDS PAYABLE  
June 30, 2002**

Issue	Date of Issue	Original Issue	Principal Outstanding 06/30/01	Issued (Redeemed)	Principal Outstanding 06/30/02	Interest Rates	Interest Outstanding 06/30/02
Public Improvement Bonds - Series A	10/01/73	\$1,000,000	\$200,000	(\$65,000)	135,000	5.4%	\$7,425
Public Improvement Fixed Rate Bonds - Series 1986	08/29/86	36,225,000	29,845,000	(1,195,000)	28,650,000	5.95%	13,773,954
Public Improvement Variable Rate Refunding Bonds - Series 1996	10/29/96	2,795,000	2,385,000	(115,000)	2,270,000	5.40%	1,109,230
Levee Improvement Fixed Rate Bonds - Series 1986	08/28/86	64,920,000	48,255,000	(2,080,000)	46,175,000	5.95%	20,602,321
Levee Improvement Variable Rate Refunding Bonds - Series 1996	10/29/96	6,775,000	5,710,000	(305,000)	5,405,000	5.40%	2,428,795
Capital Recovery Funding Bonds - Series 1988 A	03/04/88	25,000,000	24,155,000		24,155,000	3.5% - 13.0%	2,747,631
<b>Total</b>		\$136,715,000	\$110,550,000	(\$3,760,000)	\$106,790,000		\$40,669,356

**ORLEANS LEVEE DISTRICT  
STATE OF LOUISIANA  
SCHEDULE OF REIMBURSEMENT CONTRACTS PAYABLE AMORTIZATION  
For the Year Ended June 30, 2002**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2003	\$ NONE	\$
2004		
2005		
2006		
2007		
2008-2012		
2013-2017		
2018-2022		
2023-2027		
<b>Total</b>	<b>\$ 0</b>	<b>\$ 0</b>

**ORLEANS LEVEE DISTRICT  
STATE OF LOUISIANA  
SCHEDULE OF CAPITAL LEASE AMORTIZATION  
For the Year Ended June 30, 2002**

<u>Fiscal Year</u>	<u>Payment</u>	<u>Interest</u>	<u>Principal</u>	<u>Balance</u>
2003	\$ <u>NONE</u>	\$ _____	\$ _____	\$ _____
2004	_____	_____	_____	_____
2005	_____	_____	_____	_____
2006	_____	_____	_____	_____
2007	_____	_____	_____	_____
2008-2012	_____	_____	_____	_____
2013-2017	_____	_____	_____	_____
2018-2022	_____	_____	_____	_____
2023-2027	_____	_____	_____	_____
Total	\$ <u>0</u>	\$ <u>0</u>	<u>0</u>	<u>0</u>

**ORLEANS LEVEE DISTRICT  
STATE OF LOUISIANA  
SCHEDULE OF NOTES PAYABLE AMORTIZATION  
For the Year Ended June 30, 2002**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2003	\$ NONE	\$
2004		
2005		
2006		
2007		
2008-2012		
2013-2017		
2018-2022		
2023-2027		
Total	\$ 0	\$ 0

**ORLEANS LEVEE DISTRICT  
STATE OF LOUISIANA  
SCHEDULE OF BONDS PAYABLE AMORTIZATION  
For the Year Ended June 30, 2002**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2003	\$4,005,000	\$5,601,479
2004	4,285,000	5,391,573
2005	4,455,000	5,165,925
2006	28,930,000	4,255,249
2007	5,110,000	3,747,678
2008-2012	31,655,000	13,496,381
2013-2017	28,350,000	3,011,071
Total	<u>\$106,790,000</u>	<u>\$40,669,356</u>

**OTHER REPORT REQUIRED BY  
GOVERNMENT AUDITING STANDARDS**

The following pages contain a report on compliance with laws and regulations and on internal control as required by *Government Auditing Standards*, issued by the Comptroller General of the United States. This report is based solely on the audit of the financial statements and includes, where appropriate, any reportable conditions and/or material weaknesses in internal control or compliance matters that would be material to the presented financial statements.



OFFICE OF  
**LEGISLATIVE AUDITOR**  
STATE OF LOUISIANA  
BATON ROUGE, LOUISIANA 70804-9397

DANIEL G. KYLE, PH.D., CPA, CFE  
LEGISLATIVE AUDITOR

1600 NORTH THIRD STREET  
POST OFFICE BOX 94397  
TELEPHONE: (225) 339-3800  
FACSIMILE: (225) 339-3870

August 29, 2002

Report on Compliance and on Internal Control Over Financial  
Reporting Based on an Audit of the Financial Statements  
Performed in Accordance With *Government Auditing Standards*

**BOARD OF COMMISSIONERS OF  
THE ORLEANS LEVEE DISTRICT**  
New Orleans, Louisiana

We have audited the basic financial statements of the Orleans Levee District, a component unit of the State of Louisiana, as of and for the year ended June 30, 2002, and have issued our report thereon dated August 29, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Orleans Levee District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Orleans Levee District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter described below involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Orleans Levee District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

**EXHIBIT A**

**BOARD OF COMMISSIONERS OF  
THE ORLEANS LEVEE DISTRICT  
STATE OF LOUISIANA**  
Compliance and Internal Control Report  
August 29, 2002  
Page 2

**No Formal Disaster Recovery Plan**

The Orleans Levee District has not formally implemented and tested a disaster recovery/contingency plan, including provisions for an offsite disaster recovery facility, to provide for the timely restoration of critical entity operations in the event that normal data processing facilities were unavailable for an extended period of time. A formal comprehensive disaster recovery/contingency plan should exist that would allow for the continuation of critical entity operations should normal data processing facilities be unavailable for an extended time. Provisions of the plan should be tested periodically, and updated when necessary, to ensure a timely and orderly return to regular operations.

The district's management has not taken adequate steps to ensure that a comprehensive disaster recovery/contingency plan, including provisions for an offsite disaster recovery facility, has been established and tested. Although the district has addressed issues related to file back-up and offsite storage, current policies and procedures do not include a comprehensive plan related to disaster recovery. Failure to develop and test a comprehensive disaster recovery plan increases the risk that in the event of a disaster, there will be an untimely or excessive delay in processing critical data, and that critical data may be lost.

The district should commit adequate resources to developing a comprehensive disaster recovery/contingency plan that would provide for the timely resumption of critical entity operations following a disaster. Management should focus on locating a back-up site that will allow the district to re-establish its critical operations within an acceptable time frame should a disaster occur. After establishing the plan, the district should test the plan periodically, and update it as necessary, to ensure that it continues to meet the district's needs. Management of the Orleans Levee District concurred with the finding and recommendation and outlined a plan of corrective action (see Appendix A, page 1).

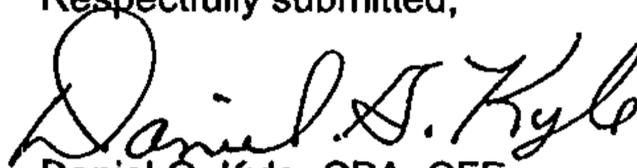
A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition described above is not a material weakness.

LEGISLATIVE AUDITOR

**BOARD OF COMMISSIONERS OF  
THE ORLEANS LEVEE DISTRICT  
STATE OF LOUISIANA**  
Compliance and Internal Control Report  
August 29, 2002  
Page 3

This report is intended solely for the information and use of the levee district and its management and is not intended to be, and should not be, used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,

  
Daniel G. Kyle, CPA, CFE  
Legislative Auditor

RR:JR:RCL:dl

[ORLLD02]

**EXHIBIT A**

## **Appendix A**

### **Management's Corrective Action Plan and Response to the Finding and Recommendation**

# The Board of Commissioners

OF THE

## Orleans Levee District

SUITE 202 - ADMINISTRATION BUILDING

6001 STARS AND STRIPES BLVD.

New Orleans, La.

70126-8006

TEL. 504-243-4000

PROTECTING YOU  
AND YOUR FAMILY



August 27, 2002

Daniel G. Kyle, Ph.D., CPA, CFE  
Legislative Auditor  
State of Louisiana  
Office of Legislative Auditor  
Post Office Box 94397  
Baton Rouge, Louisiana 70804-9397

**RE: No Formal Disaster Recovery Plan**

Dear Dr. Kyle:

This is in response to the Legislative Auditor Fact Finding Form, requesting a response to the reportable condition for the Orleans Levee District, no formal disaster recovery plan.

**MANAGEMENT RESPONSE:**

The Orleans Levee District concurs with the Auditor's recommendation to develop, test and implement a formal disaster recovery/contingency plan. A disaster recovery/contingency plan committee will be formed and, in addition to myself, will consist of the Information Systems Manager, Internal Auditor, Comptroller and Assistant Comptroller. This team will consider the viability of certain disaster recovery options available through the District's current software vendor, as well as other alternatives that may exist, anticipating implementation of a formal disaster recovery/contingency plan by year's end.

Sincerely,

Max L. Hearn  
Executive Director

MLH/MEH/jd

cc: The Honorable James P. Huey, President  
Mary E. Herbert, CPA, CGFM, Comptroller